

# PART 3 STRENGTHENING THE SUSTAINABILITY AND COMPETITIVENESS OF THE CAPITAL MARKET

# PART 3: STRENGTHENING THE SUSTAINABILITY AND COMPETITIVENESS OF THE **CAPITAL MARKET**

# **INTRODUCTION**

The efficient mobilisation of capital is crucial for enhancing the sustainability and competitiveness of the Malaysian capital market. Towards this end, the SC continues to improve market inclusivity and accessibility and enable more diverse investment options for investors spanning across both traditional and alternative markets. Efforts are mainly focused on the augmentation of investment landscape and products, broadening of the derivative markets, expansion of players and products in the digital asset space and empowering purpose-driven innovation towards a dynamic market in this digital era. In addition to reinforcing the current ecosystem, fundraising opportunities continue to be enhanced particularly for MSMEs and mid-tier companies (MTCs).

Simultaneously, the SC remains committed in ensuring sustainability, good governance and strong social impact among its market growth initiatives. Continuous efforts are being made in driving the sustainability and corporate governance agenda.

Arising from the global need for harmonised sustainability reporting, the SC has facilitated the development and implementation of the National Sustainability Reporting Framework (NSRF) to elevate the availability of consistent, comparable and reliable sustainability information to enhance Malaysia's competitiveness and attractiveness to investors. From various engagements with key stakeholders, the SC has worked towards enhancing the clarity of sustainable and responsible investment (SRI) through the development of the SRI Taxonomy Plus-Standards. From a social finance ecosystem, the SC will be spearheading the launch of the Social Exchange, an innovative fundraising platform aimed at driving impactful social change by facilitating the flow of private and philanthropic capital into projects that deliver positive social outcomes.

In order to drive these initiatives, while meeting evolving market demands and anticipating future challenges, the SC advocates for a proactive approach to nurture necessary talent towards the development of a suitably skilled talent pipeline. The SC remains dedicated to fostering competitive markets and encouraging innovation for further growth, that are both sustainable and impactful, with the aim to raise the international standing of the Malaysian capital market and its regulatory framework on a global scale.

#### FORTIFYING FUNDING AND INVESTMENT ECOSYSTEM FOR SUSTAINABLE GROWTH

Aligned with evolving market needs and digital advancements, and in addition to spurring sustainable growth, the capital market continued to expand its role in financing business ventures, creating jobs and driving impactful social change. In this aspect, the SC has facilitated various measures through the provision of innovative capital market initiatives and collaborative endeavours with a broad spectrum of stakeholders.

# Catalysing MSME and MTC Access to the Capital Market: 5-Year Roadmap (2024-2028) (MSME and MTC Roadmap)

While MSMEs have traditionally been a key focus of national economic policies, MTCs are seen as a 'missing middle'. The government's plans and blueprints for MSME development play a key role in the overall national agenda, this includes the recent Ekonomi MADANI framework, which reinforces the government's commitment in supporting the transformation of local MSMEs. However, MTCs have not received the equivalent level of attention. A joint study in 2024 by the SC and the Institute for Capital Market Research Malaysia (ICMR)<sup>1</sup> states that MTCs are akin to a 'missing middle', generally too large to qualify for MSME-targeted government assistance yet lacking the scale and capabilities of the larger listed corporations. However, the MTC segment represents untapped potential, as they are generally well-suited to raise financing from market-based sources.

It was against this backdrop that the SC launched the MSME and MTC Roadmap. The MSME and MTC Roadmap was launched on 23 May 2024 by Senator Datuk Seri Amir Hamzah Azizan, the Minister of Finance II represented by Datuk Johan Mahmood Merican, Secretary General of Treasury.

The MSME and MTC Roadmap aims to better position the capital market as an attractive and robust source of financing for MSMEs and MTCs. While MSMEs and MTCs traditionally rely on bank financing, there is much potential for the capital market to play a bigger role, diversifying the funding sources of MSMEs and MTCs while narrowing the financing gap that exists. Furthermore, greater inclusion of firms of all sizes signals a deep and well-diversified capital market, potentially attracting a greater supply of both domestic and foreign capital, and thus positioning Malaysia as a preferred fundraising destination for MSMEs and MTCs in the region.

The target addressable universe of the MSME and MTC Roadmap is approximately 28,000 MSMEs, MTCs and startups with large economic impact and high potential to raise funds in the capital market.

Five guiding principles form the underlying foundation for the MSME and MTC Roadmap's nine crosscutting strategies and 36 initiatives. These are anchored on three key approaches of (1) regulatory and product innovation; (2) market infrastructure; and (3) capacity building. In its first year, a third of the 36 initiatives of the MSME and MTC Roadmap have been implemented.

The MSME and MTC Roadmap is supported by the Ministry of Finance (MOF), Ministry of Investment, Trade and Industry (MITI), Ministry of Economy (MOE), and Ministry of Entrepreneur and Cooperatives Development (MECD). In ensuring a holistic and co-ordinated approach, the MSME and MTC Roadmap is also aligned with various aspects of the national agenda including the Ekonomi MADANI framework, the

Market-based Financing for SMEs in Malaysia: Issues, Challenges, and Way Forward, ICMR (2024).

#### FIGURE 1 Illustration of the nine cross-cutting strategies and 36 initiatives

## Catalysing MSME and MTC Access to the Capital Market: 5-Year Roadmap (2024-2028)

#### 9 Strategies and 36 Initiatives through 3 Approaches

# Enhance MSME and MTC pathways to fundraising

- a. Introduce fundraising incubation for MSME and
- b. Create pathway from ECF to the public market
- c. Facilitate listing for MSME and MTC in national priority sectors
- d. Encourage the use of growth metrics for LEAP Market and transfers to ACE Market
- e. Facilitate listing by introduction
- f. Mobilise MSME listing grant
- q. Facilitate speedier IPO approvals

#### 5. Forge public-private partnerships for MSME and MTC investments

- a. Provide guarantee for capital market instruments
- b. Establish MSME and MTC co-investment schemes in strategic sectors and activities
- c. Explore blended finance for MSMF and MTC with international and local partners

#### Revitalise the LEAP Market as an SME feeder market

- Broaden eligible investor class for LEAP Market
- b. Widen the pool of listing advisers
- c. Expand methods of remuneration for advisers
- d. Establish SME-focused

Improve digitalisation

information and data

connectivity

of MSME and MTC

information

b. Spearhead MSME

and MTC data and

information sharing

among public institutions

# Innovate and customise products for MSME and

- Enable MSME and MTC-focused listed
- b. Facilitate issuance of bonds/sukuk by MSME
- c. Spur indirect financing for MSME and MTC
- d. Facilitate flexible fundraising instruments for MSME and MTC

- e. Encourage experimentation to enable tokenisation and investment vehicles innovative capital market
- f. Develop waqf assets and MTC through ECF and P2P financing platforms
  - Promote Shariah-compliant ECF and P2P financing platforms

#### Facilitate private market deals

- a. Introduce trade sale board
- b. Develop factoring information platform for MSME and MTC

#### **Boost MSME and MTC** readiness

- a. Introduce MSME a. Introduce digitalised and MTC fundraising MSME and MTC capital readiness assessment market knowledge and
  - b. Establish MSME and MTC simplified pitching guide to investors
  - c. Broaden accelerator and matching network
  - d. Support effective ESG disclosures by MSME
  - e. Promote corporate governance best practices in MSME

# Enhance capital market referrals

- a. Introduce diagnostic tool and referral platform for MSME and MTC capital market solutions
- b. Empower MSME and MTC touchpoints as capital market advocates
- c. Leverage awareness programmes by MSME and MTC agencies and associations
- d. Create funnelling channels for MSME and MTC into capital market initiatives

- Strengthen awareness and talent among investors and intermediaries
- a. Promote corporate venturing activities through capacitybuilding and awareness programmes
- b. Grow specialised capital market talent for the MSME and MTC segment

Regulatory and product innovation (11) Market infrastructure (14)

Capacity building (11)

Twelfth Malaysia Plan (12MP), the New Industrial Master Plan 2030 (NIMP 2030), the National Energy Transition Roadmap (NETR), the Malaysia Venture Capital Roadmap 2024-2030 (MVCR) and the SC's Capital Market Masterplan 3 (CMP3).

A key outcome envisaged under the MSME and MTC Roadmap is a targeted RM40 billion in total funds raised via the capital market by 2028. This objective is to be achieved through the introduction of new frameworks, market infrastructure, and capacity-building programmes in building a robust pipeline of MSMEs and MTCs into the capital market. The RM40 billion target necessitates a compound annual growth rate (CAGR) of roughly 46%. In 2023 itself, RM6.3 billion was raised through the MSME and MTC capital market channels, i.e. the ACE Market, LEAP Market, VC, PE, ECF and P2P financing.

The success of the MSME and MTC Roadmap will require close collaboration and co-operation among multiple stakeholders, including relevant government ministries, public agencies, and the private sector across the various cross-cutting strategies and initiatives. As of 2024, several collaborations have commenced, including with the MOF's Government-linked Entities Activation and Reform Programme (GEAR-uP) team, as well as through the inking of MOUs with SME Corporation Malaysia, Khazanah Nasional, and Credit Guarantee Corporation Malaysia. The SC will continue to seek close partnerships with other parties in ensuring the success of the MSME and MTC Roadmap.

The full MSME and MTC Roadmap can be found on the SC website here: https://www.sc.com.my/api/ documentms/download.ashx?id=e9b390ba-f259-4afc-99d6-08b20cf6cf00

# **ECF AND P2P FINANCING: FUELLING MSME GROWTH IN ADVANCING EKONOMI MADANI**

In tandem with the objective of the Ekonomi MADANI Framework (Ekonomi MADANI) to promote greater economic growth, inclusion and sustainability, ECF and P2P financing continue to play a vital role in supporting the financing needs of businesses in Malaysia by providing enhanced access to alternative financing. This access is essential for fostering resilience and growth of businesses, given their importance to the national economy.

As of December 2024, both ECF and P2P financing have facilitated over RM9 billion in funding, benefiting over 20,000 businesses across various business activities. In 2024, total funds raised grew by 18% reaching RM2.6 billion (2023: RM2.2 billion).

The contribution of Shariah-compliant ECF and P2P financing to the total funds raised continued to increase, reflecting a rising demand for Islamic financing options. In 2024, Shariah-compliant financing accounted for 30% of the total funds raised amounting to RM787.6 million, compared to 24% (RM524.8 million) in 2023. This growth was predominantly driven by the P2P financing market.

Businesses located outside the Klang Valley have consistently leveraged ECF and P2P financing to meet their funding requirements. In 2024, 33% of businesses that have fundraised through ECF and P2P financing platforms are located outside Klang Valley (2023: 36%), collectively securing RM856.6 million in funding. This highlights the role of alternative financing in promoting financial inclusivity and supporting economic growth beyond the Klang Valley.

The agriculture sector in particular has witnessed substantial growth in the total amount raised through ECF and P2P financing. This growth aligns with efforts to support the national food security agenda by channelling critical funding to agricultural businesses. In 2024, the sector raised RM24.2 million, doubling from RM12.6 million in 2023, indicating a rising interest in agricultural investment as a national priority.

In 2024, a 5% decline was recorded in overall investor participation volume compared to 2023. Despite this trend, institutional investment has shown resilience, increasing by 23% to reach RM1.6 billion. This indicates that institutional investors are increasingly recognising the potential of alternative financing in offering diversification of investment portfolios. Fostering greater institutional investor participation can make a difference to the ECF and P2P financing market. Despite comprising only 2% of ECP and P2P investors, institutional investors accounted for 60% of the total investment value in the ECF and P2P markets in 2024.

As part of the ongoing evolution of the alternative financing landscape, efforts in 2024 were focused on expanding into new market segments and enhancing investor participation, in alignment with the SC's MSME and MTC 5-Year Roadmap.

# Growing market segments

#### 1. Widening financing options for MSMEs and small contractors participating in government contracts

In line with efforts to enhance financing accessibility for MSMEs, the SC has facilitated the participation of P2P financing in the government procurement financing scheme. The scheme will enable P2P financing platform operators registered with the SC to provide financing to MSMEs and small contractors involved in government contracts. Traditionally, businesses participating in government contracts rely primarily on banks and factoring houses for financing. This new scheme, which came into effect on 1 January 2025, aims to diversify financing avenues and better address the working capital needs of smaller businesses, particularly for those fulfilling government contracts under the scope of supplies, services or contract works.

The scheme is tailored to cater to specific financing requirements faced by MSMEs and small contractors. It offers two primary financing options: invoice financing, which supports cash flow post-contract delivery and financing for contract implementation (pre-financing). By addressing both types of financing needs, it provides a comprehensive solution to improve cash flow for contractors engaged in government projects.

Nine P2P platform operators will participate in this scheme, with seven of them offering Shariah-compliant financing options. This initiative represents a significant step in broadening the financing ecosystem for MSMEs and small contractors, enhancing their ability to secure necessary funding and contribute more effectively to government-led projects.

#### 2. Continuous growth of ECF and P2P segments with the entrance of new market operators

ECF and P2P markets have garnered considerable interest from applicants looking to offer niche financing solutions to further diversify the financing and investment landscape in Malaysia. In 2024, three newly registered market operators commenced operations to offer Shariah-compliant financing and debt-based financing for MTCs, providing issuers and investors with access to a broader range of diversified offerings in the alternative financing space.

# Mobilising capital to support entrepreneurial and business financing needs

#### Driving greater institutional investor 1. participation in the P2P financing market

With the increasing demand from businesses for alternative financing, the SC has observed greater diversification of the investor base to meet these expanding needs, fuelled in part by the growing participation of institutional investors in the P2P financing segment. Greater institutional investor participation can lead to a more robust, scalable, and resilient P2P financing market, benefiting all participants in the ecosystem.

To facilitate greater involvement of institutional investors in the P2P financing segment, the SC organised a focus group discussion that brought together key stakeholders from the P2P financing, fund management and trustee segments. Attended by over 40 participants, this initiative aimed to identify challenges and collaboratively explore solutions to facilitate greater institutional participation in the P2P financing market. Among others, participants emphasised the importance of establishing standardised valuation methodologies across various P2P products for fair pricing and discussed preferred investment vehicles to facilitate P2P investments. The session also underscored the ongoing need to raise awareness of P2P financing among institutional investors to further broaden market participation.

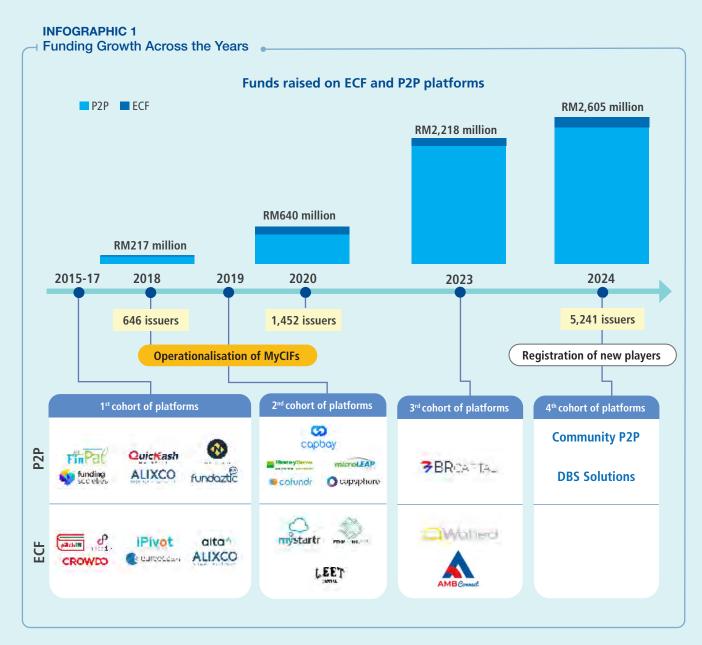
# **SPECIAL FEATURE 2**

# **MALAYSIA CO-INVESTMENT FUND (MyCIF):** SPURRING GROWTH AND ENHANCING **COMPETITIVENESS OF MSMEs**

Celebrating MyCIF's 5-Year Journey

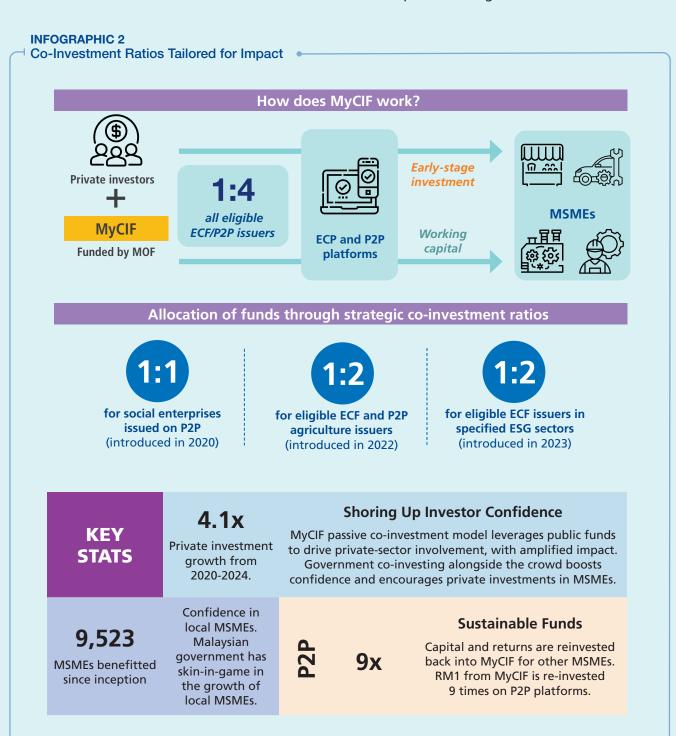
#### Introduction

Established in 2019, MyCIF has been a game-changer in financing for Malaysian MSMEs, through co-investing in ECF and P2P campaigns. MyCIF serves as a catalyst to the alternative financing space, bridging the funding gap for MSMEs and fostering growth across Malaysia.



# Co-Investment Mechanism as a Strategic Policy Tool

MyCIF's co-investment model is designed to incentivise growth in strategic segments, channelling investments to where they are needed most. By adjusting its co-investment ratio, MyCIF has supported strategic segments, such as food security and environmental, social and governance (ESG)-related industries. From 2020 to 2023, these sectors benefitted from enhanced ratios of 1:1 or 1:2 compared to the general 1:41.

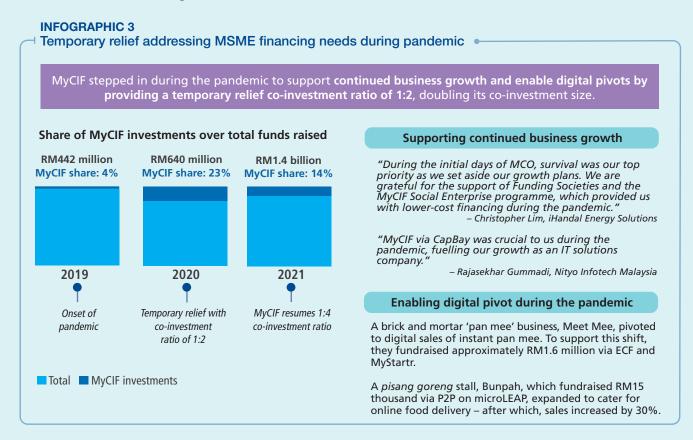


<sup>1:4</sup> ratio = MyCIF will invest RM1 for every RM4 successfully raised from private investors on the MyCIF participants' platforms.

#### **Resilience Amid Crisis**

# Vital 'buoy' to empower MSMEs to stay afloat

The pandemic posed unprecedented challenges to MSMEs, many of which struggled to stay afloat. In response to urgent needs, MyCIF stepped in to provide temporary relief by adjusting its co-investment ratio from 1:4 to 1:2, doubling its co-investment size. MyCIF support has provided MSMEs with much-needed financial lifelines, enabling them to weather the crisis and rebuild for a more sustainable future.



## **Aligning Investments with Strategic Growth Pillars**

Through preferential co-investment ratios, MyCIF has guided investments into key national priority areas, such as food security, environmental and social impact segments. Notable businesses benefitting from MyCIF's preferential ratio include Aliyah Rizq Farm, with its successful expansion from 25 to 200 acres, tripling its livestock production. Likewise, iHandal Energy Solutions weathered pandemic challenges by leveraging MyCIF-backed investments for cost-effective operations, underscoring the fund's role in supporting businesses with sustainability goals.

Food Security	Social Enterprises	Environment (ESG)
<b>8x</b> Increase in agri issuers invested by MyCIF after implementation of 1:2 special ratio	7.1 million  Amount (RM) co-invested in social enterprises by MyCIF since inception	Environmental-impact companies co-invested by MyCIF

"MyCIF Strategic Schemes and Initiatives – Over the years, we have defined strategic allocation developed to cater to underserved and strategic segments to national development agenda."

- Dr. Wong Huei Ching, Chairperson, MyCIF Committee

# **Bridge to Future Funding and New Growth Horizons**

# MyCIF has helped to fuel the growth journey of 307 start-ups



Start-ups which started with MyCIF gained confidence for subsequent fundraising rounds on ECF.



**MyCIF** beneficiaries in ECF gained visibility from other investors including Venture Capital (VC).



**MyCIF** helps companies grow beyond domestic markets, establishing regional presence.

companies secured multiple rounds of funding via MyCIF

companies obtained additional funding via VCs

companies have regional presence





Speedrent Technology, a rental property platform, and Uni Enrol, a digital scholarship matching service, both went on to subsequent ECF fundraising rounds.





PolicyStreet, an insurtech startup, and Fefifo, an agritech startup, secured more than RM67 million and US\$3.1 million in additional VC funding respectively.



Angkasa X, a tech-social inclusion company, with presence across ASEAN, filed for listing on Nasdaq in 2023.

# **MyCIF Notable Divestments in ECF**

Capital gains from notable exits are reinvested back into other MSMEs



LAPASAR 2021 21.4%



**NU VENDING** 

2023 19.7%



WILSTECH

2024

174%

MyCIF has provided vital support for budding startups, bridging the gap to future funding and growth opportunities. It has enabled MSMEs to reach new markets, diversify revenue streams, and attract attention from larger investors, including VCs and PE firms. This enhanced visibility and credibility have paved the way for sustained expansion and innovation for MSMEs.

#### MyCIF Open Day 2024

To commemorate its five-year anniversary, a MyCIF Open Day, titled 'Genesis, Contribution and Future of MyCIF', was held on 8 April 2024 at the Asian Institute of Chartered Bankers (AICB) building. The event, which was graced by Senator Datuk Seri Amir Hamzah Azizan (Minister of Finance II), Datuk Johan Mahmood Merican (Secretary General of Treasury) and the SC Chairman, featured seven digital boards on a gallery walk with curated speakers guiding attendees through MyCIF's five-year contribution to the MSMEs. The event also unveiled two new incentives aimed at boosting MSMEs in the upstream segments of the agriculture and bio-economy sectors in support of the food security agenda.

Under the new incentives, effective from April 2024 until the end of 2025, MyCIF will:

- Invest at 0% financing rate in eligible P2P campaigns; and
- Forego dividend income from investments in eligible ECF campaigns.

The implementation of these incentives has led to a 105% increase in co-investments in the agriculture sector compared to the previous year. To support fundraising of wagf development via ECF and P2P financing platforms, new MyCIF incentives were also announced by Prime Minister Dato' Seri Anwar Ibrahim at the Global Forum on Islamic Economics and Finance (GFIEF) on 28 May 2024. This is to benefit MSMEs, undertaking waqf-related projects, especially in the development of waqf land in the upstream agriculture and bio-economy segments.



# Release of MyCIF's Impact Investing Framework and Toolkit

As part of Budget 2024, MOF allocated RM100 million to MyCIF for a period of three years for impact investing in the focus areas of food security, environment, community, education and healthcare. This also includes funding development projects of waqf assets in these focus areas.

This strategic allocation forms part of a new MyCIF scheme, called the Environmental and Social Impact (ESI) scheme, which supersedes the earlier ESG Scheme launched in 2023 with a broader range of focus areas. The MyCIF Impact Investment Framework (Impact Framework) was subsequently released in July 2024 to facilitate MyCIF investments into ECF and P2P financing businesses that qualify under this ESI scheme. The Impact Framework sets out impact goals to be achieved in MyCIF focus areas, supported by a toolkit to help ECF and P2P financing businesses to measure their impact contribution.

Following the release of the ESI scheme, there were three campaigns that had successfully raised funds on ECF platforms with MyCIF co-investing a total of RM1.2 million.



#### **EDUCATION & COMMUNITY**

#### DIA Academy Sdn Bhd

(DIA - Dialogues Includes All) Experiential training centre offering dialogue in the dark exhibitions and training workshops, from the perspectives of individuals with special abilities. Its mission is to help future employers recognise unique strengths and challenges of these individuals.



#### **HEALTHCARE**

#### Ascension Innovation Sdn Bhd

Champions accessibility, inclusivity and economic empowerment by rectifying systemic inefficiencies prevalent within public and private sectors of healthcare delivery. Its flagship product, aiCMS, employs technology to optimise clinical management processes for patient engagement and retention.



#### **ENVIRONMENT**

#### Telcov Sdn Bhd

Offers innovative e-waste recycling solutions, including a proprietary mobile app that streamlines e-waste collection and rewards users with recovered precious metals. Telcov is authorised by the Department of Environment (DOE) to handle, treat and dispose 300 tons per month of e-waste materials.

# MyCIF Strategies Schemes in 2024

Fortifying food security and creating environment and social impact.

# **Ongoing MyCIF initiatives**

Announced in 2022

**Agriculture Scheme** 



1:2 co-investment ratio to support ECF and P2P campaigns in agriculturesector

Primary agriculture activities as defined by SME Corp including crops, livestock, fishing and aquaculture.



# **Schemes Implemented in 2024**

**Enhanced initiative** 

**Food Security Scheme** 

**Environmental and Social** 

**Impact Scheme** 

From April 2024 to end of 2025, following additional incentives for upstream agriculture and bio-economy businesses:

- 0% financing rate in eligible P2P campaigns; 1. and
- Forego dividend income in eligible ECF 2. campaigns

This includes fundraising campaigns for waqf asset development.

Announced in 2023

**ESG Scheme** 



1:2 co-investment ratio to support ECF campaigns in strategic sustainability sectors

- Renewable energy.
- Waste and water management.
- Circular economy.

**ESG Scheme** 

replaced

Launched in July 2024, 1:2 co-investment ratio to support impact businesses in focus sectors (Environment, community, food security, education and healthcare)

Also partnering with State Islamic Religious Councils (SIRCs) to fund development projects of waqf assets in focus sectors.

#### **MyCIF's Significant Achievements**

With a total allocation of RM260 million from the government since the inception of the fund, MyCIF has successfully co-invested RM1.19 billion in over 9,000 MSMEs, achieving a remarkable 4.1 times multiplier effect. This has attracted a total of RM4.92 billion in private investments, bringing the overall funds raised with MyCIF's support to RM6.11 billion.

From its inception, MyCIF had invested approximately RM126 million in 308 ECF campaigns and RM1.06 billion in 69,977 P2P campaigns.

#### 2. Facilitating a conducive tax environment for greater individual participation in the ECF market

As part of efforts to incentivise investments into ECF by individuals, the government had announced in Budget 2021 that individual investors be given an income tax exemption (ECF Tax Exemption), subject to the following:

- Investment must be made through ECF platforms from 2021 to 2023;
- Exempted amount is equivalent to 50% of investments made, capped at RM50,000 for each year of assessment (YA);
- Exempted amount is limited to 10% of aggregate income for each YA:
- Investment is not allowed to be disposed of within two years from the date of investment; and
- The investor, investee company and amount of investment must be verified by the SC.

On 20 February 2024, the SC submitted the first ECF investment annual data reporting to Lembaga Hasil Dalam Negeri Malaysia (LHDN). This served as a reference for LHDN to verify the first tax filing for ECF Tax Exemptions in ECF companies by individuals since the tax order became effective.

To further encourage individual investments in ECF, the government has extended the ECF Tax Exemption for another three years, until 31 December 2026 as part of the Federal Budget 2024 announcement. The scope has also been expanded to permit individual ECF investors investing through nominee limited liability partnership to benefit from the tax exemption. Previously, the ECF Tax Exemption was limited to individuals investing in the investee companies via ECF platforms, directly or through nominee companies. These measures allow more individual investors who are investing through ECF platforms to benefit from the ongoing ECF Tax Exemption.

#### 3. Enhancing opportunities for retail investors in the ECF market

ECF has empowered retail investors to participate in start-ups and early-stage business investments, traditionally only accessible to institutions and high-networth individuals. This has democratised investment opportunities, enabling a broader population to benefit from entrepreneurial success.

Since ECF was introduced in 2015, the RM5,000 retail investment cap has remained unchanged despite evolving economic conditions. As the ECF market matures, there is growing demand for a higher cap that aligns with investor appetite and expanding opportunities. Raising this limit would better align with the increasingly larger size of ECF deals, fostering a more responsive and dynamic investment environment.

In this regard, the SC has liberalised the ECF retail investment limit from RM5,000 to RM10,000. This liberalisation, which came into effect on 6 January 2025, will provide greater flexibility for retail investors with higher investment capacity to participate in high potential ECF ventures. In addition, it supports a more inclusive investment framework, promoting a thriving entrepreneurial nation, in tandem with the Ekonomi MADANI framework and objectives of the KL20 Action Plan.

#### 4. Facilitating investor liquidity and exit mechanisms through ECF and P2P secondary markets

The introduction of secondary markets within the ECF and P2P financing landscape represents a significant milestone, enhancing liquidity for investors. This initiative enables the trading of ECF shares and P2P investment notes, providing new investors with diverse investment opportunities.

To date, four registered market operators have received approval from the SC to operationalise secondary markets. Of these, two P2P financing and one ECF platform are now fully operationalised.

# The SC launches GROWMatch and signs MOU with MDEC, Sidec, UPM, and Impact Circle

On 16 August 2024, the SC launched GROWMatch, a new matching initiative that allows agri-business entrepreneurs to showcase their ventures and attract necessary funding from alternative financing. The Minister of Digital, Gobind Singh Deo delivered the keynote address at the event.

Supported by 17 partners, including venture capital firms and government agencies, GROWMatch combines diverse expertise to support food security innovators, particularly small companies facing funding challenges. GROWMatch taps into ECF and P2P platforms to support MSMEs in strategic and underserved sectors.

The programme achieves two main outcomes: first, it provides agripreneurs with exposure to the investment community, from digital funding platforms to VC/PE firms, expanding their access to essential capital and mentorship. Second, it offers investors valuable insights into the unique risks and opportunities within techdriven agri and food security sectors, fostering more informed, strategic investments.

At the GROWMatch pitching session, 20 outstanding entrepreneurs showcased innovative solutions, vying for diverse financing opportunities from alternative funding providers. Selected from over 70 applicants for their strong track records, business models, and execution strategies, these participants exemplified the high calibre of the GROWMatch cohort. Post-programme, several issuers are progressing toward securing financing, with some already attracting investments, highlighting the programme's effectiveness in fostering impactful financial connections.

At the same event, the SC also signed a Memorandum of Understanding (MOU) with the Malaysia Digital Economy Corporation (MDEC), Selangor Information Technology and Digital Economy Corporation (Sidec), Universiti Putra Malaysia (UPM) and Impact Circle.

The MOU seeks to promote food security self-sufficiency through alternative financing. It combines diverse expertise to develop, incubate and finance opportunities that support agripreneurs scale their business and contribute to the overall goal of achieving food security. Partners within the GROWMatch ecosystem, including the MOU signatories, have contributed to nearly 70% of GROWMatch applications and played a key role in preparing these ventures for investment.



These promising developments are set to enhance the attractiveness of the ECF and P2P markets, benefiting both issuers and investors. Furthermore, they will also contribute towards fostering a more dynamic and accessible capital market.

# **Establishment of the Malaysian Innovation Agri-Financing Steering** Committee (MIAF)

As part of GROW, MIAF was established by the SC and the Ministry of Agriculture and Food Security (KPKM) to foster greater adoption of alternative financing among agropreneurs in support of the country's food security agenda. MIAF is a collaborative initiative that includes KPKM, Agrobank, Malaysia Digital Economy Corporation (MDEC) and the SC. The committee aims to leverage the expertise and resources of its members to increase the agriculture sector's understanding and adoption of alternative financing (ECF and P2P financing) and technology, as well as facilitate the growth of investment-ready agribusinesses.

The inaugural MIAF meeting, held on 8 February 2024, explored a range of initiatives to bolster the agri-financing ecosystem. These initiatives focused on advancing agri-financing solutions by fostering connections between agribusinesses and alternative financing sources to support innovation, growth and sustainability in Malaysia's agriculture sector.

# **MOBILISING PRIVATE AND** PHILANTHROPIC CAPITAL VIA THE SOCIAL EXCHANGE

# **Enhancing the Social Finance Ecosystem** in Malaysia

On 28 May 2024, Prime Minister Dato' Seri Anwar Ibrahim officially announced the establishment of Malaysia's first Social Exchange at the GFIEF. This significant development underscores the government's commitment to fostering social innovation and addressing pressing societal challenges through collaborative efforts.

The SC proudly spearheads this groundbreaking initiative, marking a significant step towards enhancing the social finance ecosystem in Malaysia. This innovative fundraising platform is the first regulator-led initiative of its kind in the country, aimed at driving impactful social change by facilitating the flow of private and philanthropic capital into impactful projects that deliver positive social outcomes and foster sustainable development. This initiative not only demonstrates the SC's commitment to social innovation but also sets a precedent for collaborative efforts in addressing societal challenges.

# Aligning with Ekonomi MADANI **Aspirations and Sustainable Development** Goals

The establishment of the Social Exchange is expected to foster collaborative solutions and empower societal development, aligning seamlessly with the aspirations of the Ekonomi MADANI framework aiming for a just, equitable, and sustainable economy. This initiative reflects a strategic move to integrate social finance mechanisms into Malaysia's broader economic development plans, promoting shared prosperity and social justice.

In addition, the Social Exchange focuses on funding eligible projects that encompass diverse themes aligned with the United Nations Sustainable Development Goals (SDGs). By aligning with these global goals, the Social Exchange aims to create meaningful impact on communities and contribute to Malaysia's sustainable development agenda.

Key areas include:



**Social Welfare**: Initiatives that improve the quality of life for disadvantaged communities.



**Quality Education**: Programmes that enhance educational access and outcomes.



**Capacity Building**: Projects that strengthen skills and competencies within communities.



**Good Health and Wellbeing**: Efforts aimed at improving healthcare services and promoting healthy lifestyles.

# **Formation of an Advisory Committee**

To ensure the effectiveness and success of the Social Exchange, the SC established an Advisory Committee led by the SC Chairman. The Committee comprises members with relevant backgrounds and represents institutions identified as key enablers for the initiative. The Advisory Committee is expected to:



# **Provide Strategic Guidance**

Offer insights on the key building blocks necessary for the establishment and operation of the Social Exchange.



# **Foster Collaboration**

Encourage partnerships between government, private sector, and non-profit organisations.



# **Enhance Impact**

Recommend strategies to maximise the social outcomes of funded projects.

## **AUGMENTING THE INVESTMENT LANDSCAPE**

The SC remains focused on enhancing investment avenues and fostering a dynamic ecosystem that supports wealth accumulation and the innovation economy. In 2024, the SC introduced pivotal measures to strengthen Malaysia's investment landscape, targeting greater inclusivity, innovation, and competitive growth within private markets. Anchored by the goals of the Ekonomi MADANI framework and the KL20 agenda, these efforts are crafted to expand Malaysia's investment landscape, positioning the country as a leading hub for private capital while facilitating greater access for investors.

# **Corporate Innovation Reports**

Malaysia's private markets have experienced steady growth over recent years and have become an increasingly important fundraising avenue for the innovation economy. As of 2024, the venture capital (VC) and private equity (PE) sectors include over 145 registered corporations, managing RM24.7 billion in assets. This marks a 297.75% growth in assets over the past 10 years from 2014 to 2024.

Nevertheless, Malaysia's ambitions extend beyond this growth trajectory, aiming to broaden and deepen the private market ecosystem, acknowledging its crucial role in financing real economic activity. This is in tandem with Malaysia's Ekonomi MADANI objective of 'Raising the Ceiling' and the national KL20 agenda to establish Malaysia as a leading startup ecosystem globally.

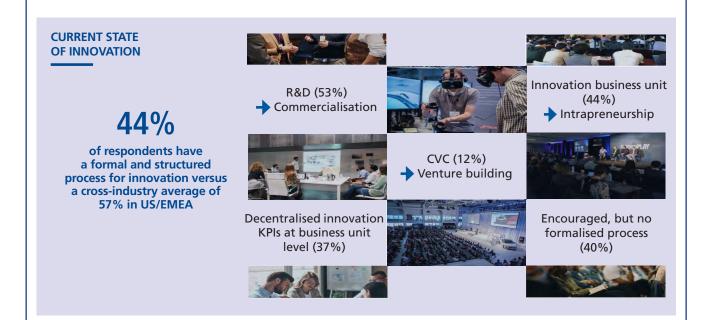




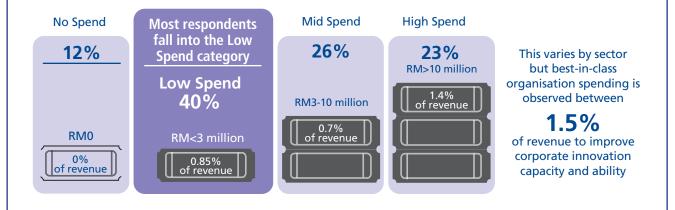
Corporate venture capital (CVC) is a key component in this journey, providing a dynamic and increasingly important pillar of the investment ecosystem. CVC involves the creation of dedicated venture funds by corporations, enabling direct investment in external, early-stage businesses that help these corporations meet their strategic and long-term financial goals. In recent years, the SC and Capital Markets Malaysia (CMM) have sought to catalyse CVC activity among Malaysian corporates through a series of CVC programmes. Insights gained from these programmes suggested that only a minority of corporates are embracing CVC and further effort is required for the majority of corporates who are starting the journey.

Hence in 2024, the SC conducted a Corporate Innovation Survey as a 'temperature check' on the state of corporate innovation among PLCs. Respondents of the survey represented approximately 36% of the FBM 100 Index's market capitalisation, or RM482 billion.

Among the key observations, 70% of the respondents believe their company is reasonably well-prepared for innovation. Despite this, the survey highlighted that only 44% of corporates had a formal and structured process for innovation compared to 57% in the US/EMEA region.



In terms of annual spend on innovation, 40% of the respondents indicated that their annual innovation spend was approximately 0.85% of revenue which was lower than the global average of between 1% to 5% of revenue.



Additionally, 65% of respondents indicated that 'lack of resources' in terms of knowledge, talent, and capital is the primary barrier to innovation.



Further to this, CMM sought to better understand the status of Malaysia's CVC ecosystem and realise opportunities for development. To this end, CMM collaborated with Boston Consulting Group (BCG) and its unit BCG X to release a report on the state of corporate venturing in Malaysia entitled 'Advancing Malaysia's Innovation Landscape: The Pivotal Role of Corporate Venture Capital'. The report leveraged surveys and discussions with over 30 senior leaders of the Malaysian corporate landscape, analysed current CVC activity in Malaysia and benchmarked against other ASEAN countries.

The report highlighted that Malaysia's challenges in catalysing an effective CVC ecosystem are not unique and that similar obstacles had been observed in countries across ASEAN. This provided the opportunity to learn from successful CVC models and strengthen Malaysia's CVC ecosystem. Three key levers were identified to this end.



#### Level 1: Educate and enhance awareness for board and senior leadership

Educate and enhance awareness in board and senior leadership positions on the benefits of CV.



#### Level 2: Create opportunities to start small

Creating incentives for corporates to make smaller, more manageable investments in areas closely aligned to the core business is a proven and effective way to initiate CVC activities.



#### Level 3: Improve connectivity between startups, corporates and funding sources

Develop centralised platforms that improve connectivity between industry stakeholders to enhance startup visibility and facilitate better alignment and co-ordination of investment across various funding sources.

The SC and CMM have embarked on the implementation of some of these levers through several CVC-related programmes. Nevertheless, as CVC is poised to unlock significant economic value for businesses and the wider economy in Malaysia, this journey can be furthered by the SC's continuous efforts in increasing awareness, creating opportunities to start small and improving connectivity between startups and corporates.

Ultimately, these efforts will empower stakeholders in Malaysia to effectively address the current barriers to CVC participation, and foster a more vibrant, innovative and economically robust corporate sector.

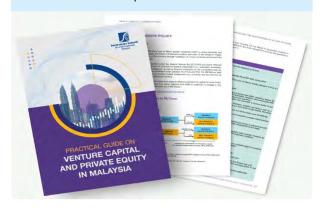
# **Enhancing Access in Malaysia's Private Markets**

The VC and PE industries are important components of the alternative financing ecosystem in the Malaysian capital market, playing the essential role of mobilising capital as well as nurturing promising startups and high growth enterprises. Facilitating the growth of private markets is thus essential to the SC's aim of promoting financial inclusion and increasing the breadth and depth of the domestic capital market.

In 2024, the SC took significant steps to support Malaysia's VC and PE ecosystem. This included releasing the Practical Guide on Venture Capital and Private Equity in Malaysia and streamlining the VC registration process for eligible VCs through the introduction of the VC Golden Pass.

#### What is VC and PE Practical Guide?

The Practical Guide for Venture Capital and Private Equity in Malaysia offers a crucial overview for managing VC and PE funds, designed to aid prospective fund managers, investors and service providers.



Recognising the critical role of VC and PE firms in funding innovative and high-growth companies, the Guide provides greater clarity on the VC and PE landscape. It does so by outlining Malaysia's regulatory environment, covering key areas such as capital market regulations, taxation, fund structuring, and foreign exchange to promote ease of investment and operational transparency. This represents the SC's broader commitment to nurturing Malaysia's entrepreneurial ecosystem, aligning with national aspirations to foster a globally competitive startup environment and establish the country as one of the top 20 global startup hubs by 2030.

Complementing these efforts, the SC introduced the VC Golden Pass to expedite the registration process for eligible international VCs, reducing application times from six weeks to two weeks. This initiative aligns with the SC's broader strategy of encouraging knowledge transfer, best practices, and capital inflows, further embedding Malaysia within the global investment community.

# **VC Golden Pass**

# **Objectives**

Attract sizeable global and regional VCs to establish presence in Malaysia

#### **Incentives**



**Expedited registration approval from** 6 weeks to 2 weeks, subject to a complete submission and applicant fulfilling all requirements of the SC's Focus Scope Assessment



Support letter from the SC in obtaining **Employment Pass** for VC senior management and staff, together with the SC's approval for VC registration

# **Eligibility**



Existing global AUM of at least US\$100 million



Commitment to building local presence - physical office in Malaysia with a least two local staff in the investment team

Through these initiatives, the SC reinforces its commitment to fostering a robust and inclusive financial ecosystem, further positioning Malaysia as a leading hub for VC and PE within Asia. By lowering operational barriers, enhancing market transparency, and encouraging knowledge transfer, the SC not only broadens financial access for local businesses but also aligns with the national KL20 agenda. Together, these efforts serve to attract global investors, support highimpact growth sectors, and contribute to Malaysia's long-term economic resilience and competitiveness.

# **Widening Sophisticated Investor** Categorisation

While Malaysia's current investor categorisation has provided a solid foundation, a comprehensive review identified opportunities to enhance inclusivity, particularly for the mass affluent. In this regard, the SC introduced the Sophisticated Investor Framework in 2024 to expand the categories of sophisticated investors and broaden capital market access. The revised framework offers access to a more diversified pool of investments, better aligning with investors' financial capacity and risk profiles, and underscores the SC's commitment to fostering an inclusive investment environment.

Key features of the expansion include a new category that considers the knowledge and experience of sophisticated investors. In addition, enhancements to current categories were made, allowing flexibilities of existing financial thresholds for high-net-worth individuals (HNWIs). The new 'Knowledge and Experience' category will benefit individuals who do not meet financial tests but are able to demonstrate financial knowledge sophistication to participate in relevant market offerings. This category assesses potential investors based on their education, recognised financial association membership, and practical experience in relevant sectors such as banking, capital markets or insurance.

Another key change is the inclusion of an investor's primary residence value, up to a cap of RM1 million, in assessing their qualification as a sophisticated investor. The definition of a joint account is also expanded to incorporate accounts with a spouse or child, including total net joint annual income and investment portfolios. This expansion will better depict a family's collective financial status and investment potential.

This reinforces the SC's commitment to maintain capital market competitiveness and vibrancy, while promoting greater investor participation. Previously, categories of sophisticated investors were prescribed in Part 1 of Schedule 6 and Schedule 7 of the Capital Markets and Services Act 2007 (CMSA). This has now been moved to Guidelines on Categories of Sophisticated Investors to facilitate these changes.

# **Facilitating Greater Diversity Within The Fund Management Industry**

Over the years, the SC has enabled greater diversity of products, services and distribution channels within the fund management industry in recognition of the evolution of investment preferences. For example, in 2022, the wholesale fund framework was expanded to enable domestic managers to invest in more alternative investment products via special purpose vehicles. Additionally, the e-services framework was introduced in 2020, to enable e-wallets and e-payment service providers to democratise the online distribution of capital market products, including unit trust schemes.

In order to achieve better outcomes for investors, the SC recognises the importance of enabling a wider range of perspectives, skills and expertise within the industry to drive innovation and in product, services and distribution channels. In this regard, the SC introduced two measures to grow the diversity and number of fund management firms and representatives.

The first is, liberalising the licensing requirements around corporate ownership in the fund management industry. This move allows entities beyond those traditionally associated with the financial sector to obtain licences and undertake fund management activities. By enabling non-traditional financial institutions to participate, the SC is fostering greater competition, promoting innovation, and encouraging the adoption of new business models within the industry.

Secondly, the SC has expanded the minimum qualification and experience requirements for fund managers. This change acknowledges experience in premier banking, financial planning (FP), and unit trust consulting (UTC) as relevant for portfolio management roles. By opening fund management to professionals from these diverse backgrounds, the SC aims to attract a wider range of expertise and increase the talent pool, ultimately enhancing the industry's capability to deliver superior fund management services.

A more diverse pool of firms and fund management personnel will drive growth, better serve the evolving needs of investors, and keep the industry competitive in an ever-changing market. By broadening access and encouraging diverse participation, the SC is helping to build a more inclusive, vibrant, and resilient fund management industry.

# Enhancing the investor base: Family Office Tax Incentive Scheme

In the next decade, capital markets globally will be experiencing the largest intergenerational transfer of wealth in history. The 'baby boomer' generation, born between the 1950s and 1960s, is now retiring and passing on their wealth to the next generation. According to McKinsey, between 2023 and 2030, ultra-high-net-worth (UHNW) and high-net-worth (HNW) families in the Asia Pacific region are set to experience an intergenerational wealth transfer estimated at US\$5.8 trillion. UHNW families are expected to account for about 60% of the total wealth transfer, and many are setting up family offices to facilitate the process. Family offices serve as an investment office for UHNW families and provide a range of services including wealth management, legal, bookkeeping and tax planning, insurance and risk management, concierge and family services, governance, education and succession planning, and philanthropy.

The growth of family offices offers a unique and valuable opportunity for capital market intermediaries and service providers to deliver highly personalised and tailored solutions. Fund managers and financial planners are well-positioned to benefit from this expanding sector. Family offices, often seeking bespoke investment strategies, provide fund managers with the chance to oversee large, diversified portfolios that go beyond traditional asset classes. For financial planners, the rise of family offices opens doors to a range of comprehensive services, from estate planning and tax optimisation to succession planning, allowing them to cater to the complex, multigenerational needs of these clients.

Equally, capital market service providers such as trustees, alongside professionals like accountants and lawyers, are integral to the smooth and efficient functioning of family offices. These professionals provide services, including asset administration, legal compliance, and tax optimisation, which are critical to ensuring the longterm sustainability and seamless transfer of wealth across generations.

MOF and the SC recognised the significant opportunity family offices presented for domestic capital markets and sought to capitalise on it. As a result, the Single Family Office Tax Incentive Scheme (SFO Scheme) was introduced. The SC has been empowered to lead the co-ordination and implementation of the SFO Scheme.

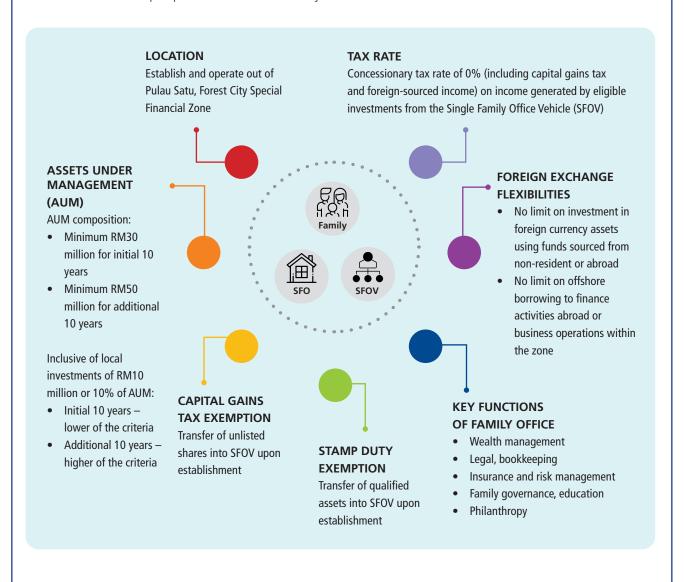
The Forest City Special Financial Zone (FCSFZ) was established to lure foreign family offices to invest in Malaysia and leverage talent within Malaysia as well as attract Malaysian families with investment abroad to repatriate foreign currency holdings to Malaysia to be managed here. The incentive scheme provides for a 0% concessionary tax rate on income generated from eligible investments by the Single Family Office Vehicle (SFOV) for an initial 10 years and subsequent 10 years subject to several conditions being fulfilled. This includes:

- Hold AUM of at least RM30 million; meet minimum local investment in eligible and promoted investments of at least 10% of asset under management (AUM) or RM10 million, whichever is lower;
- SFOV to spend operating expenditure (OPEX) locally at a minimum, of RM500,000 annually;
- Employ a minimum of two full-time employees of whom at least one is an investment professional, with minimum monthly salary of RM10,000;

Establishing the SFO Scheme enables Malaysia to enhance its investor base by attracting regional and Malaysian families to manage their wealth from Malaysia. The projected economic multiplier of this initiative from the local substance requirements is estimated to range from RM3.9 billion to RM10.7 billion, which also includes the positive effects on the creation of skilled employment and the demand for other ancillary services.

The establishment and growth of family offices in Malaysia hold great potential for the broader economy. As wealth is reinvested domestically, it has the power to fuel the expansion of Malaysian companies and industries, fostering innovation and driving economic growth. Beyond financial investments, family offices can also play a pivotal role in supporting local communities through philanthropic initiatives, contributing to social development and creating a lasting impact on the well-being of society.

By creating a conducive environment for family offices and leveraging Malaysia's robust regulatory framework to encourage reinvestment of wealth within the country, Malaysia is well-positioned to strengthen its capital market, empower local businesses, and enhance its global competitiveness. The continued development of family offices aligns with the nation's vision for sustainable, inclusive growth, ensuring that both financial and social capital are harnessed to drive a prosperous future for all Malaysians.



# **ENHANCING OPPORTUNITIES** FOR THE DERIVATIVES MARKET

In its efforts to continue to enhance opportunities within the derivatives market towards fostering growth and a more diverse, resilient trading environment, the SC has made key amendments to the Guidelines on Contracts for Difference (CFD Guidelines) and granted approvalin-principal for the relaunch of the Single Stock Futures (SSF) contract. The SC has also introduced the USD Used Cooking Oil FOB Straits (Platts) Futures (FUCO) to broaden the derivative product offerings.

# **Revision to Guidelines on Contracts** for Difference

Following an extensive review of the CFD framework and feedback received from the CFD providers, the SC issued the third revision of the CFD Guidelines on 14 June 2024.

Key amendments to the CFD Guidelines include:

- expanding the types of underlying instrument for (a) CFD to units of exchange traded fund, units of real estate investment trusts as well as commodity derivatives listed on Bursa Malaysia Derivatives or a Specified Exchange<sup>3</sup>; and
- (b) reducing the average daily market capitalisation of the underlying corporation from RM1 billion to RM500 million.

In addition to enabling a more diverse range of investment options for market participants, the changes serve to align requirements e.g., where the underlying instrument is shares listed on Bursa Securities, the average daily market capitalisation for a CFD is aligned to the structured warrants framework. Further, operational flexibility has also been granted i.e., allowing the submission of documents by CFD providers via electronic means instead of CD-ROM.

These adjustments ensure that the framework remains facilitative and fosters the growth of available products.

While CFDs remain accessible only to sophisticated investors, the pool of such investors has widened following the issuance of Guidelines on Categories Sophisticated Investors in February 2024.

# **Relaunch of Single Stock Futures** Contract

As part of an initiative to revamp and generate vitality in the Single Stock Futures (SSF) Contract, several modifications were made:

- 1. Expanding the number of eligible underlying stocks – from 10 stocks to 30 stocks capturing all the constituents of FBMKLCI;
- 2. Reducing the contract size of SSF to cater for retail participation – where the contract size of SSF will be reduced from 1,000 shares per contract to 100 shares per contract;
- Lowering of trading and clearing fees from a 3. tiered basis based on the price of the SSF to a flat fee of RM1.00
- 4. Modification to speculative position limit and changes to treatment of when there is a corporate action on the underlying securities

The spectrum of changes is meant to enhance the attractiveness of the contract, especially for retail participants. Retail investors can use SSF to hedge their stock portfolios or capitalise on trading opportunities, allowing for greater flexibility and risk management. By attracting this growing segment of the market, the initiative could enhance market breadth and depth, fostering a more diverse and resilient trading environment.

The SSF contract is targeted for relaunch by Bursa Malaysia Derivatives in the first quarter of 2025.

# **Introduction of USD Used Cooking Oil FOB Straits (Platts) Futures (FUCO)**

Used cooking oil (UCO) is a multifaceted commodity that can be repurposed into valuable by-products, including renewable fuels, oleochemical products and animal feed. As a favourable addition to the range of sustainable listed derivatives products available, the introduction of FUCO serves to:

Capitalise on current trends and needs in 1. renewable energy by providing price discovery and hedging tools for UCO players;

A 'Specified Exchange' is a person or body that operates a derivatives market outside Malaysia under section 105 of the CMSA.

- 2. Fuel intercommodity trading as crude palm oil, soybean oil and UCO are correlated products that are commonly cross hedged; and
- 3. Position Bursa Malaysia Derivatives as the first exchange in Asia to have a FUCO contract.

The contract is also aligned to Malaysia's commitment towards Sustainable Development Goals (SDG) and NETR of catalysing our biomass energy productions derived from UCO.

The contract was launched by Bursa Malaysia Derivatives on 16 December 2024.

# **DEMOCRATISING INVESTMENTS** THROUGH THE DIGITAL ASSET **ECOSYSTEM AND DIGITAL PLATFORMS**

Technological advancements, global trends and consumers' growing familiarity with alternative assets in the digital ecosystem continue to evolve the structure of capital markets. Consequently, there is more demand for diversified investment options and increasing preference for digital channels to assess these investment options.

#### **Digital Asset Ecosystem**

The digital asset ecosystem in Malaysia has continued to develop and evolve in tandem with development and evolution of digital asset ecosystem globally. In Malaysia, there has been a rebound of crypto-asset trading activities within the recognized market operators - digital asset exchange (RMO-DAX) space, expansion of ecosystem players, increase in digital asset-related products, such as digital asset funds, and initial exchange offering token fundraising as well as more interest in blockchain adoption and tokenisation within the capital market.

The increased interest in digital assets signals Malaysian investors' growing familiarity with this new asset class and the associated regulated players in the market. This is aligned with the SC's digital agenda to create a more diversified and democratised capital market.

#### **Digital Asset Investments**

The SC observed that the average daily trading value of RMO-DAXs has increased by 2.6 times in 2024 compared to the previous year. Aside from the price rebound globally, this increase could be attributed by the additional eight digital asset (DAs) listed on the RMO-DAX which is a 73% increase from the 11 DAs tradeable in 2023 and the increase in number of overall investor base by approximately 23%.

Since the launch of the first digital asset fund in 2023, three more have been established in 2024. These funds offer a variety of strategies including single-asset passive funds and actively managed funds. Apart from these funds, the collective investment scheme space has also seen funds seeking minor exposure into digital assets through investments in digital assets and blockchain firms. The increased diversity will meet different needs of investors.

To provide greater regulatory clarity on the treatment of DA as securities, the SC has designated DA custodians as a 'custodian' under section 121 of the CMSA. As the SC remains cognisant of the importance of the roles that custodians have in capital market activities regardless of the asset class, the same designation and responsibilities shall apply across designated custodians.

# Token Fundraising

In 2024, initial exchanges offering (IEO) operators issued their first token issuance for issuers to fundraise. There was an issuance of a tokenised Shariah-compliant investment note for an issuer to fundraise via a tokenised investment note. There were also two issuance(s) of utility tokens, which created new fundraising opportunities by offering investors access to products or services in exchange of tokens.

With the total funds raised amassing RM48 million, the SC believes this is the first step towards building a more vibrant alternative fundraising market.

#### Securities Tokenisation

Blockchain technology promises various characteristics such as programmability, transparency and accessibility, consequently, driving global interest tokenisation of underlying securities. In embracing such developments within the Malaysia market, the SC is looking to issue a guidance on tokenisation of securities to assist intermediaries in understanding and managing the associated risks while providing regulatory clarity.

In line with the SC's objective towards developing forward-looking policies that support the future of the Malaysian capital market, the SC is collaborating with Khazanah Nasional to explore the issuance of a tokenised bond or sukuk. This endeavour will allow both parties to delve into the functions and utility of tokenisation, ranging from the use of smart contracts to custodial arrangements, consequently deepening understanding on the benefits and the risks involved with blockchain technology.

# **Digital Investment Management and E-services platforms**

# Digital Investment Management

Launched in 2017, the digital investment management (DIM) framework has been instrumental in advancing robo-advisory services within Malaysia's capital markets. By enabling both emerging and established digital investment managers to harness technology, the framework has fostered innovative, efficient methods for delivering personalised financial products and services according to investors' risk appetite. This shift has increased accessibility for users, aligned with evolving investor demands for transparent and more costeffective automated portfolio management services.

As of December 2024, DIM has grown over 500 times since December 2018 with total AUM, valued at RM1.9 billion.

#### E-Services Platform

The introduction of the e-services platform (e-SP) regulatory framework in 2017 has enabled digital platforms such as e-payment platforms, e-commerce platforms and e-wallets to partner with CMSL holders to distribute capital market products, thus providing additional investment channels for investors. Since its introduction, e-SPs facilitated the online distribution of 66 capital market products, providing further accessibility to investment opportunities for the benefit of investors. To date, the SC has registered six e-SPs.

As of December 2024, the cumulative value of subscriptions to capital market products distributed on e-SPs surpassed RM53 million, marking more than a twofold increase compared to December 2023. Notably, in 2024 alone, subscriptions of approximately RM33 million, accounting for 61% of the total subscriptions, were recorded.

FIGURE 1 Snapshot of DIM industry

# Size of the Industry AUM Accounts created RM1.9 billion 1.17 million Over 500 times growth since its inception in 2018 Client demography **Common investment goals** 46% are in their 20s Holiday **55%** live outside Klang Valley **Build personal** House/car wealth 32% are women Wedding Education Note: Data up to 31 December 2024.

# **SPECIAL FEATURE 3**

# SCxSC EXPANSION: DRIVING INNOVATION FOR A SUSTAINABLE CAPITAL MARKET

Since its inception, the Synergistic Collaboration by Securities Commission Malaysia (SCxSC) programme has been central to fostering innovation in the capital market. Underpinned by the accelerating pace of technology-driven innovation, there is a need for greater engagement with innovators to respond to these developments more effectively. Starting in 2023, SCxSC was expanded to foster focused collaboration with industry players and the broader ecosystem, enhance deeper understanding of new innovations at play, and gain valuable insights for policymaking.

The SCxSC aims to unlock potential of innovation to enhance the capital market, thus support the SC's strategic goals of fostering competitive economic growth, empowering investors, and shaping a more inclusive and sustainable stakeholder economy, as outlined in the CMP3. In 2024, SCxSC transitioned from an annual fintech conference to a series of targeted, thematic events aimed at specific outcomes. This shift reflects three core objectives:



The 2024 programme expanded into four key series, each addressing different aspects of capital market innovation:

# Views from the Top **Innopolicy Roundtables** 01 **02** C-suite Leaders Dialogue Insights from innovators, on innovations leveraging technologists, and financial emerging technologies while professionals to inform of managing risks policy development **Pitch and Match TechTrek** 03 04 **Networking opportunities** Technical capability for innovators, financial development focus on professionals, and investors to cybersecurity and technology

foster collaboration

risk management



# Series of SCxSC programme implemented throughout 2024 on key innovation domains



The programme culminated in the SCxSC Fintech Summit, the SC's flagship fintech conference from 1 to 2 October 2024. The event gathered around 1,000 attendees, bringing together financial professionals, policymakers, fintech communities and technologists from Malaysia and across the region.

With the theme 'Where Innovation Meets Purpose', the fintech summit featured thought leadership, innovation showcases and discussions on:

- Al's applications in various domains, including impact investing, RegTech, and business growth;
- Tokenisation and its growing role in capital markets and the potential of digital assets as a new asset class; and
- Innovation in Islamic finance with FIKRA ACE's pitching sessions spotlighting solutions designed to address the unique needs of Islamic capital markets.

During the SCxSC fintech summit, the SC announced the introduction of the Regulatory Sandbox; given the rapid emergence of innovative products and services that challenges the boundaries of our existing regulatory framework. This Regulatory Sandbox offers a controlled environment to explore new ideas that will benefit the capital market while maintaining focus on investor protection. This would supplement the SC's approach towards creating fit-for-purpose and forward-looking policies for the capital market.

SCxSC continues to underscore the SC's commitment to foster responsible, purpose-driven innovation. By facilitating meaningful dialogue between regulators, market players, and innovators, SCxSC remains pivotal in shaping a capital market ecosystem that is resilient, forward-thinking, and primed for sustainable growth in the digital era.

# ADVANCING ESG THROUGH THE **CAPITAL MARKET**

Over the decade, the SC has championed various initiatives and frameworks in promoting responsible investment and enhancing environmental, social and governance practices to encourage sustainable finance. This includes green bonds and sukuk, which facilitate funding for environmentally friendly projects. As the SRI segment in Malaysia's capital market continues to evolve, the SC continues to support multi-prong national sustainability initiatives and frameworks as the country advances its sustainability agenda with a goal of achieving Net Zero by 2050.

# SRI through the Development of the SRI **Taxonomy Plus-Standards**

Since the issuance of the *Principles-Based SRI Taxonomy* for the Malaysian Capital Market (Principles-Based SRI Taxonomy), the SC has engaged with relevant stakeholders to deepen understanding and encourage the adoption of the Principles-Based SRI Taxonomy across the Malaysian capital market. This Principles-Based SRI Taxonomy which was issued in December 2022 in line with the recommendations from the SC's Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market (SRI Roadmap) provides a framework to assist a wide range of users in identifying and classifying economic activities that align with environmental, social, and sustainability objectives.

The first of such adoption was by reNIKOLA Holdings Sdn Bhd (reNIKOLA), a renewable energy producer whose Green Financing Framework was reviewed and deemed in alignment to the Principles-Based SRI Taxonomy. Subsequently reNIKOLA via its whollyowned subsidiary, reNIKOLA Solar II Sdn Bhd (reNIKOLA Solar II, issued its RM390.0 million ASEAN Green SRI Sukuk (reNIKOLA II Green Sukuk) on 29 September 2023, which was aligned with the Principles-Based SRI Taxonomy.

As the SRI segment in Malaysia's capital market continues to evolve, there is a growing need for more detailed guidance on thresholds and metrics for key economic sectors. To address this, the SC is developing the SRI Taxonomy Plus-Standards, which outlines additional guidance on thresholds and metrics for key economic sectors through the development of technical screening criteria (TSC). The SRI Taxonomy Plus-Standards aligns with national policies and targets, while also considering the ASEAN Taxonomy, where applicable.

Recognising the substantial effort required for this initiative, the SC is undertaking a multi-phased, multi-year approach to ensure thorough and focused development of the TSC for each key economic sector.

To obtain feedback for the development of the relevant components of the taxonomy, the SC conducted several stakeholder consultations throughout 2024, engaging ministries, government agencies, institutional investors, and key stakeholders in the energy sector. These sessions facilitated in-depth discussions on the components of the SRI Taxonomy Version 2, with a particular focus on its application to the Malaysian energy sector and capital market. An internal reference document on the SRI Taxonomy Plus-Standards for the Energy Sector has been developed to serve as a guiding document to further support the advancement of national taxonomy development in Malaysia.

# Advancing Malaysia's Sustainability Agenda and Facilitating Development of a Holistic Carbon Market Ecosystem

The Twelfth Malaysia Plan sets out the country's aim to achieve Net Zero by 2050, with an announcement shortly thereafter that a feasibility study on carbon pricing, which includes carbon tax and emissions trading system will be conducted.

A feasibility study on carbon pricing implementation is being conducted by MOF through the Malaysia Partnership for Market Implementation (PMI) programme with the World Bank. This study, which is expected to be completed in 2025 will provide suitable recommendations for implementation of carbon pricing in Malaysia. The SC is a member of the PMI Carbon Pricing Implementation (CPI) Steering Committee as well as the PMI CPI Technical Working Group to provide input and feedback to MOF and World Bank on the feasibility study on the potential implementation of carbon pricing instruments in Malaysia. This includes on findings and interim reports prepared by World Bank.

In addition to the PMI CPI study, the SC also supports the Ministry of Natural Resources and Environmental Sustainability (NRES) in developing the National

Climate Change Bill (Rang Undang-Undang Perubahan Iklim Negara)(RUUPIN) and the National Carbon Market Policy (Dasar Pasaran Karbon Kebangsaan, DPKK). Together, these policies will help mobilise and guide government agencies, industry, communities, and other stakeholders in addressing the challenges of climate change and carbon emissions in a holistic manner. The SC is a member of both the RUUPIN and DPKK Technical Working Committees, working closely with NRES and other members, including ministries, government agencies, state governments, and organisations, to provide input and feedback on the development of RUUPIN and DPKK, with the aim of finalising these regulations and policies. The RUUPIN aims to strengthen institutional arrangements on data and information disclosure as well as emissions reduction mechanisms to thrive and prosper while marching towards a low carbon and resilient economy in Malaysia. Additionally, the DPKK aims to support the adoption of both compliance and voluntary carbon market mechanisms in Malaysia. The SC also supported NRES in facilitating stakeholder consultation sessions with the financial sector on RUUPIN and DPKK through the Joint Committee on Climate Change (JC3).

As these policies take shape at the national level, in December 2022 Bursa Malaysia launched the Bursa Carbon Exchange (BCX), Malaysia's voluntary carbon market exchange (VCM), the world's first Shariahcompliant carbon exchange, as domestic demand for carbon credits grow. The launch of the VCM is seen as a critical step in catalysing the domestic carbon market as this will establish local capabilities in developing carbon projects and monitoring, reporting and verification (MRV) services, while crowding in funding required for the various carbon projects.

Following the launch of the BCX in 2022, BCX hosted the first domestically generated carbon credits auction from the Kuamut Conservation Project in July 2024, highlighting Malaysia's ability to produce highintegrity carbon credits. In tandem, as clean energy becomes central to Malaysia's decarbonisation journey, BCX carried out its inaugural auction of renewable energy certificates (RECs) generated from the Murum Hydroelectric Plant in Sarawak, the first large scale sustainable energy project.

The year also saw the establishment of the Malaysia Carbon Market Association, launched in August 2024 to facilitate and accelerate the development of the Malaysian carbon market. The non-profit organisation is represented by a consortium of players from both private and public sectors.

In addition to developing Malaysia's carbon market, the SC continues to support the development of other national sustainability-related government policies and initiatives including the Nationally Determined Contribution Roadmap and Action Plan (NDC Roadmap) and Long-Term Low Emission Development Strategies (LT-LEDS). The SC participated in an engagement session on the development of the NDC Roadmap and Long- LT-LEDS organised by NRES to share its sustainable finance initiatives.

The SC is also a member of the REDD Plus Finance Framework Advisory Committee (RFFAC) Technical Working Group on Forest Carbon Offset (FCO). The REDD Plus Finance Framework (RFF) was developed as a finance mechanism to incentivise activities to enable forest preservation. The technical working group is a platform to exchange views and provide inputs as the protocols and guidelines for the FCO currently being developed by the Malaysia Forest Fund (MFF). The REDD Plus Finance Framework (RFF) was developed by MFF which was formed on the initiative of NRES as a finance mechanism to incentivise activities that help keep forests standing. It is designed to use funds for non-carbon benefits as well as for carbon credits.

# **Championing Financial Sector Response** to Climate Change: Joint Committee on **Climate Change**

As Co-Chairs of the JC3, the SC and BNM are committed to enhancing the financial sector's response of climate change. As Malaysia moves toward a low-carbon economy and a more sustainable future, it is essential for all players, regulators, the exchange, financial institutions, and organisations alike, to contribute to this transition. The JC3 is actively exploring approaches to help companies navigate the shift to a low-carbon economy in a just and orderly manner, while also supporting financial institutions in accelerating capital allocation to businesses that showcase viable climate transition pathways.

As Co-Chair of Sub-committee 3 (SC3) (Product and Innovation) of JC3, the SC guided and provided support for a working group chaired by Maybank, deputy

chaired by CIMB Bank and co-led by HSBC Amanah to develop a transition finance framework. The framework is meant to serve as a practical guide for financial institutions in Malaysia to develop credible sustainable finance and transition finance solutions, and is targeted for issuance in 2025.

These concerted efforts underscore the importance of collaboration and open discourse, as the financial industry works together towards Malaysia's net zero commitments.

# Other key milestones include:



Pilot projects:

- Greening Value Chain (GVC) pilot programme has enabled over 330 SMEs to measure and report their greenhouse gas emissions, with plans to expand this initiative among government-linked companies and public-listed companies.
- Greening Industrial Park (GIP) pilot programme aims to transition the management of industrial parks and operations of their tenant companies to low-carbon and sustainable practices. Kota Kinabalu Industrial Park (KKIP) and UMW High Value Manufacturing Industrial Park have been selected as the first two pilot parks.



The third iteration of the Climate Data Catalogue published in December 2024, which will introduce approximately 28 new data items related to biodiversity and nature-related financial risks.



Establishment of the Climate Finance Innovation Lab (CFIL), spearheaded by Bank Pembangunan Malaysia. The CFIL aims to accelerate decarbonisation efforts through innovative financial solutions that support climate transition, adaptation, and nature-related projects. The SC will be part of the working group that sets up the initial framework for which the CFIL will operate, in addition to being part of the Steering Committee to provide direction and guidance to the CFIL.

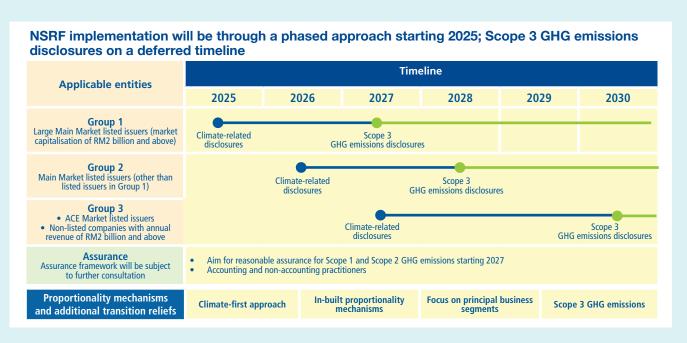
# SPECIAL FEATURE 4

# NATIONAL SUSTAINABILITY REPORTING **FRAMEWORK**

On 24 September 2024, the NSRF was launched by the Minister of Finance II, Senator Datuk Seri Amir Hamzah Azizan at the SC. The NSRF addresses the use of the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB) as the baseline sustainability disclosure standard for companies in Malaysia, as well as the assurance requirements for sustainability information. Under the NSRF, companies may complement use of the ISSB standards with other reporting frameworks to meet the information needs of different stakeholders. Malaysia fully adopts the ISSB standards, joining 29 other jurisdictions that have decided or are taking steps to introduce the ISSB standards in their legal or regulatory frameworks.

The Advisory Committee on Sustainability Reporting (ACSR), which is chaired by the SC, developed the NSRF to enhance the availability of consistent, comparable and reliable sustainability information to elevate Malaysia's competitiveness and attractiveness to investors. It is intended to provide a disclosure framework for companies to measure and hold themselves accountable over their sustainability-related commitments and targets, and to drive more sustainable business conduct and outcomes. The NSRF also shares a common goal with the Magasid al-Shariah, as introduced through the SC's Magasid Al-Shariah Guidance Islamic Capital Market Malaysia, in November 2023, emphasising on Humanity; Justice and Benevolence; Clarity and Transparency; and Fiduciary and Accountability, among others.

The implementation of the NSRF will be in a phased and developmental manner given the varying degree of readiness and maturity in sustainability reporting practices of companies. Initial focus of the disclosures will be on climate-related risks and opportunities, before moving to the other sustainability topics. Group 1, comprising large Main Market listed issuers with market capitalisation of RM2 billion and above, will start using the standards from annual reporting periods beginning on or after 1 January 2025. Group 2, comprising Main Market listed issuers (other than the listed issuers in Group 1), will start in 2026, whereas Group 3, which comprise ACE Market listed issuers and non-listed companies with annual revenue of RM2 billion and above, will start in 2027.



The NSRF was developed through extensive engagements and consultations, including:

- 15 February 2024 to 29 March 2024 issuance of a public consultation paper on the NSRF. A public response paper on the outcomes of the public consultation was published on 21 October 2024.
- 5 March 2024 a consultation webinar on the NSRF, with close to 600 online participants. The agenda of the webinar was to brief participants on the consultation paper approach and to provide opportunity to participants to raise queries on the NSRF.
- 8 March 2024 ACSR organised a session with the ISSB to provide regulators with an understanding of the of the ISSB's inaugural sustainability disclosure standards, specifically the IFRS S1 General Requirements for Disclosures of Sustainability-related Financial Information and IFRS S2 Climaterelated Disclosures.
- 3 April 2024 Focus group discussion with large non-listed companies, particularly those with annual revenue of RM500 million and above.
- 8 April 2024 to 22 April 2024 issuance of a survey to international stakeholders on the NSRF.
- 18 April 2024 ACSR engagement with the Ministry of Domestic Trade and Costs of Living (KPDN) to discuss the proposed inclusion of non-listed companies under the NSRF.
- 26 April 2024 ACSR roundtable engagement with relevant ministries and agencies. Participation included representatives from MOF, Ministry of Economy, MITI, NRES, KPDN and Malaysia External Trade Development Corporation (MATRADE). The objectives of the roundtable were to socialise the NSRF with the relevant ministries and agencies and discuss how the initiatives by the ACSR and ministries, in terms of supporting the national sustainability agenda, can be aligned.
- 7 June 2024 ACSR engagement with ISSB to discuss several key areas related to the ISSB Standards and development of the NSRF.
- 10 October 2024 An International Auditing and Assurance Standards Board (IAASB) Roundtable on sustainability assurance was organised by the SC Audit Oversight Board (AOB) for the ACSR to obtain a better understanding of the proposed assurance standards for sustainability information (ISSA 5000, General Requirements for Sustainability Assurance Engagements).

The ACSR in undertaking its mandate, kept MOF abreast of key milestones and was guided by the MOF's views and input in the development of the NSRF.

The implementation of the NSRF will be supported through an initiative of the ACSR called PACE, which stands for Policy, Assumptions, Calculators and Education. PACE will among others, run capacity-building programmes and make available NSRF-related guidance materials and tools.





#### Regular Feedback

Providing mechanism for feedback, advice and

response

Understanding interoperability of

- Advisory Panel comprising industry experts, specialists including climate
- Industry working groups
- FAQs and surveys (including those targeted at supporting medium and smaller companies)



**Framework** 

frameworks

- **GRI Professional** Certification Programme
- **GRI-ISSB** interoperallity Module (Module 6)
- Practical programmes on using the ISSB Standards



**Model Disclosures** 

Providing illustrative materials for reference, including those which address industry specific details

- Proforma disclosures
- Disclosure of Scope 3 **GHG** emmisions



**Digital Solutions** 

Leveraging platforms and tools to ease disclosures and calculations

Emissions Calculator



Value Chain

Easing process for SMEs to disclose information including data on sustainability

SME reporting tool based on CMM's Simplified ESG Disclosure Guide

# Completed and upcoming PACE initiatives include:

- Global Reporting Initiative (GRI) Professional Certification Programme for 100 accountants from audit firms registered with the AOB, which started on 16 October 2024. The programme was conducted over three cohorts, the last of which was completed on 30 October 2024. The accountants are expected to undergo the GRI Professional Certification Modules to equip themselves with the necessary competencies to advise companies in their sustainability reporting as well as effectively assess, verify and provide assurance on sustainability disclosures.
- NSRF Navigating the Transition: A Guide for Boards is a document intended to be a simplified guide for boards to use the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2 Climate-related Disclosures (collectively referred to as the ISSB Standards). It outlines key questions and considerations as companies prepare to use the ISSB Standards. The document was issued on 20 January 2025.
- GRI-ISSB Interoperability Module, which will be rolled out as a training programme under PACE. The GRI is a widely used sustainability reporting framework by companies, and hence will be the base from which companies are starting to use the ISSB Standards.
- Proforma Disclosures to provide illustrative references to companies to guide the preparation of their disclosures. The proformas will be focused for companies in the highest emitting sectors in Malaysia.
- SME Reporting Tool to help SMEs provide relevant sustainability data. The tool will be based on the 35 sustainability indicators as identified in Capital Market Malaysia's (CMM) Simplified ESG Disclosure Guide (SEDG).

# STRENGTHENING OF CORPORATE **GOVERNANCE**

The recent developments in corporate governance in Malaysia reflect a strong commitment to enhancing transparency, accountability, and sustainability among PLCs and MSMEs. This commitment is evident through various regulatory initiatives and policies aimed at fostering greater openness in corporate practices, which enhance the flow of information to stakeholders and promote trust in the business environment.

# **General Meeting**

In August 2024, the SC introduced a policy requiring PLCs to hold hybrid or physical general meetings starting 1 March 2025. This decision stems from the need to ensure meaningful engagement between boards and companies with their shareholders at least once a year, enhancing accountability and transparency in shareholders interaction. While fully virtual meetings played an essential role during the pandemic, the shift back to hybrid or physical meetings is viewed as a crucial step to safeguard shareholder rights and promote more effective engagement.

The policy was introduced following completion of the benchmarking study conducted by the SC on practices from relevant jurisdictions, engagements with selected Malaysian PLCs, and analysis of feedback received by the SC from both local and global investors, who generally expressed their preference for hybrid or physical meetings given that these facilitate meaningful shareholders engagement.

# **Corporate Governance Monitor 2024**

On 4 November 2024 the SC released its Corporate Governance Monitor 2024 (CG Monitor 2024) which provided an update on the adoption of the Malaysian Code on Corporate Governance 2021 (MCCG 2021) by public-listed companies based on disclosures in their Corporate Governance reports. The 2024 edition of the CG Monitor looks at adoption of the MCCG, based on information in CG Reports issued by PLCs for financial years 2022 and 2023.

The CG Monitor 2024 provides detailed observations on selected best practices in the MCCG 2021. This includes best practices introduced in the 2021 update of the MCCG, particularly those related to sustainability. It also highlights the Step Up practices and best practices that have been adopted by 60% or fewer PLCs. These practices are categorised as practices with 'Low Adoption'.

The CG Monitor 2024 also includes two feature articles; by Professor Mak Yuen Teen titled 'Corporate Governance Practices in Malaysia Continue to Improve' and by the Institute of Corporate Directors Malaysia on 'Improving Disclosure of Board and Senior Management Remuneration'.

# **Key Highlights**

- Out of the 48 MCCG best practices, 30 have an adoption level of above 90%.
- As of 1 October 2024, 67% of PLCs have boards where at least 50% of its directors are Independent Non-Executive Directors (INEDs). However, among the 261 PLCs led by an Executive Chairman, only 60% have a board composition of at least 50% INEDs, highlighting the need for continuous effort to enhance independent oversight within these boards. This highlights the need for further improvement to ensure stronger independent oversight.
- The adoption of the nine-year tenure limit for INEDs has improved, with 18% of PLCs (165 PLCs) implementing this best practice. Additionally, the reliance on the two-tier voting process to retain INEDs up to the 12-year limit has significantly decreased, from 96 PLCs in 2023 to 37 in 2024, reflecting a positive shift towards better governance practices. However, there remains room for improvement, as a considerable number of companies continue to retain INEDs up to the 12-year limit. PLCs are encouraged to leverage the Institute of Corporate Directors Malaysia (ICDM) Director Sourcing and Placement services, which feature a pool of over 1,000 board-ready individuals.
- Participation of women on boards (WOB) continues to increase, with women holding 1,936 board positions, representing 27% of all board roles across PLCs. However, 39 out of the Top 100 PLCs<sup>4</sup> have yet to reach the 30% WOB target.

The top 100 PLCs refers to the constituents of the FTSE Bursa Malaysia Top 100 Index.

- In 2024, over 50% of PLCs conducted their AGMs virtually or in hybrid formats, a practice that proved effective during the pandemic. However, with the mandate for general meetings to be conducted physically or in hybrid formats coming into effect on 1 March 2025, PLCs must fully transition to these formats. This shift aims to enhance shareholder engagement and foster stronger governance by enabling more meaningful participation and interaction between shareholders and the board.
- Sustainability-related best practices were introduced in MCCG 2021 and since then there has been a significant increase in the adoption of these practices. More than 96% of companies have adopted the sustainability related practices in 2023, which focus on the responsibility of the board and management in the oversight of sustainability, communication on sustainability strategies and targets with stakeholders, as well as ensuring that the board remains informed about relevant sustainability developments. However, the CG Monitor emphasises that PLCs need to improve the integration of sustainability metrics into the performance evaluations of both the board and senior management. The NSRF will play a key role in establishing consistent sustainability-related disclosures in line with international standards. PACE initiative will further support companies by providing resources, policy guidance, and capacity-building programmes to enhance sustainability reporting and governance.

# Corporate Governance Watch (CG Watch) 2023

On 12 June 2024, the Asian Corporate Governance Association (ACGA), in collaboration with CLSA Ltd, released the ASEAN chapter of the Corporate Governance (CG) Watch 2023 report, titled 'Spectrum of Standards: Regulators Set the Tone on CG Progress'. CG Watch 2023 is based on the ACGA's biennial corporate governance assessment of corporate governance practices across 12 Asia Pacific markets. Malaysia maintained its fifth position and was recognised for its continued progress in several key governance areas. Australia topped the ranking, followed by Japan, Singapore and Taiwan.

Countries were assessed across seven categories. Malaysia secured first place in the auditors and audit regulators category, showcasing the strength of its audit oversight framework across the region. The ACGA recognises that the AOB plays a key role through regular inspections, publishing enforcement outcomes, and leading initiatives such as Audit Quality Indicators.

Malaysia also ranked second in the CG Rules and Listed Companies categories, demonstrating the effectiveness of initiatives such as the one-woman board rule and mandatory sustainability training for directors. The report also identified areas for further enhancement, including remuneration disclosures for directors and strengthening investor engagement. The SC will continue to focus on these areas, working towards further alignment with international standards.

# **NURTURING A SUSTAINABLE TALENT** PIPELINE IN THE CAPITAL MARKET

The SC advocates for a proactive approach to nurturing talent that not only meets current demands but also anticipates future challenges in the capital markets. Strategies and initiatives focus on identifying future talent needs, fostering diversity and inclusion and enhancing educational partnerships.

#### investED

Launched by Prime Minister Dato' Seri Anwar Ibrahim in June 2023, the investED Leadership Programme helps ensure a sustainable talent pipeline in catering for the evolving needs of Malaysia's capital market.

This SC-led initiative is notably the first ever collaboration between the SC, MOF, MOHE, capital market industry and universities. The investED Leadership Programme is open to Malaysian graduates from all disciplines. The first cohort of 169 candidates graduated in February 2024 with more than 65% of them being offered positions with their respective host organisations.

The second cohort of the investED Leadership Programme commenced on 1 August 2024 where trainees began a one-month comprehensive classroom training at the Asia School of Business (ASB). This was followed with a six-month on-the-job experience with leading industry partners, beginning 1 September 2024.

The second cohort saw 1,271 applications, of which 305 applicants were shortlisted for interviews. At the end of the recruitment cycle, 268 offers were made and on 1 August 2024, 199 trainees reported for the one-month comprehensive classroom training at ASB. Most of the trainees that were successfully recruited for the second cohort were of Finance, Business Administration, Economics, Accounting and Data and Information Technology majors.

In 2024, the investED programme was implemented in partnership with a wider array of organisations including investment banks, stockbroking firms, fund management companies, ECF platforms, advisory services and audit firms. A total of 47 organisations hosted the investED trainees.

Since its inception until end 2024, investED has also engaged 110,668 university students via 13 career fairs and 47 career talks nationwide. It plans to engage more students, universities and partner firms in 2025 with aspirations to host 200 trainees.

#### **FIKRA ACE**

The SC has taken various initiatives to enhance the ICM ecosystem, one of which is the SC's Islamic fintech accelerator programme, 'FIKRA' which was launched in 2021. In continuation of that, the SC is now organising FIKRA ACE, a three-year initiative that aims to enhance the ICM ecosystem by facilitating the development of Islamic fintech through a structured approach. FIKRA ACE is an Islamic fintech programme consisting of the following:

- Accelerator A programme supporting startups in developing Shariah-compliant fintech solutions.
- Circle A networking forum to connect fintech innovators, Islamic finance professionals, and other ecosystem participants.
- **E**xcel A collaboration initiative focusing on capacity-building through partnerships with universities and research institutions.

FIKRA ACE aims to nurture innovation, talent and build capacity to provide further catalyst in expanding and broadening of Islamic capital market offerings for continued growth. It also reflects the SC's commitment to enhance Islamic fintech within the Islamic capital market ecosystem and elevate the value proposition of Islamic finance that has been made more efficient with the advent of technology such as mobilising wealth to the underserved segments.

#### FIKRA ACE Accelerator

The FIKRA ACE Accelerator Cohort 2024 was launched in July 2024. The programme includes eight weeks of intensive training encompassing mentorship, market access support, and regulatory guidance, with partners such as NEXEA, MDEC, and the Islamic Development Bank contributing to the cohort's success.

The SC received 828 applications and 126 submissions from local and international based fintech startups. Of this number, 24 startups offering various solutions were selected as participants of FIKRA ACE Accelerator Cohort 2024 with 10 finalists selected to showcase their innovations at the SCxSC Fintech Summit in October 2024.

# FIKRA ACE Circle

The SC collaborated with Islamic Finance News and Malaysia Digital Economy Corporation to organise the FIKRAtech Roundtable in London on 4 September 2024.

The event aimed to stimulate discussions, experience sharing, and exploration of ideas and solutions for advancing the Islamic capital market through financial technology. It was attended by about 40 participants from the Malaysian and UK fintech ecosystem. The discussion areas included embedding Magasid al-Shariah and challenges in accessing capital for fintech start-ups as well as an evolutionary versus a revolutionary approach in growing Islamic fintech.

#### FIKRA ACE Excel

The SC collaborated with Universiti Sains Malaysia's Computer Science Student Society to host the Varsity Hackathon (VHACK). VHACK, was the inaugural event of the FIKRA ACE Excel and seeks to grow the fintech talent pipeline, stimulate students' creativity and critical thinking, and develop digital skills among students and young professionals, particularly in the Islamic fintech space.

The programme, launched in February 2024, received an overwhelming response of over 900 applications from 90 higher learning institutions around the world. On the final pitching day that was held at USM in Penang, 10 teams from multiple public and private universities were crowned winners.

The winners and participants showcased their ability to assimilate technical knowledge into real-life applications empowered by technology, with proposed solutions ranging from interactive educational platforms, investment and debt management apps to improve financial literacy to tech-powered crops management solutions.

