



**Suruhanjaya Sekuriti**  
Securities Commission  
Malaysia

# annual report 2021



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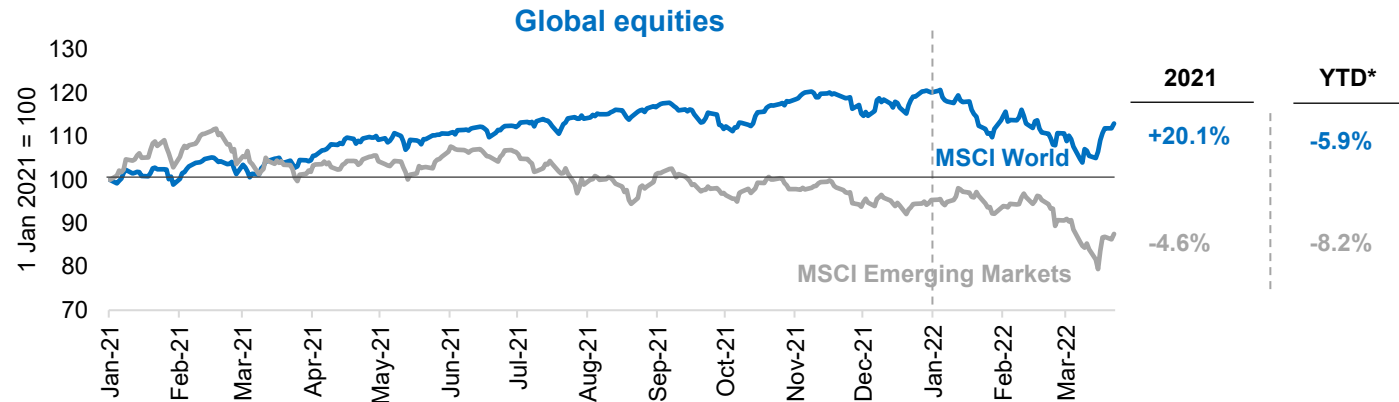
# PART 1

## CAPITAL MARKET REVIEW AND OUTLOOK

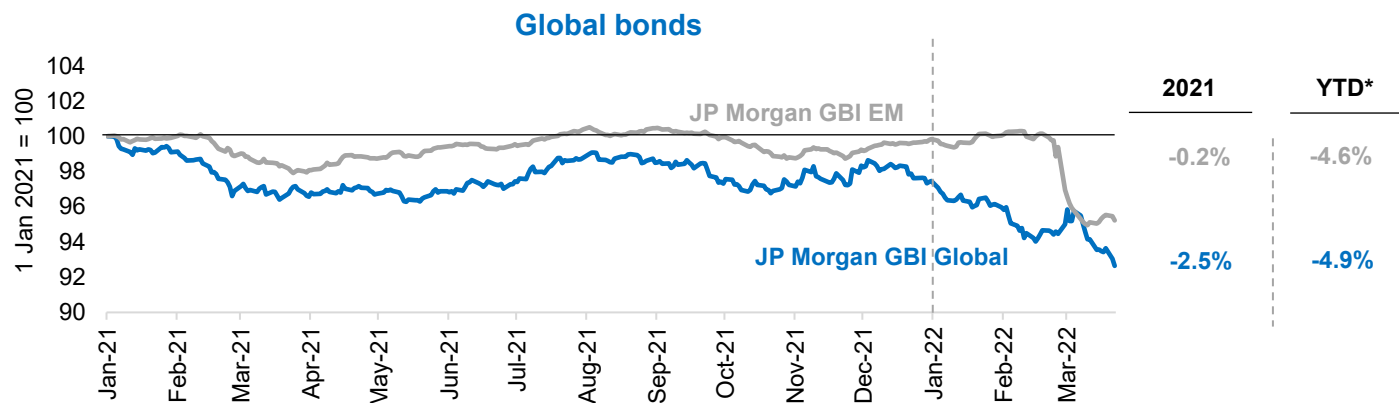


# Global financial markets' performances were mixed in 2021 amid a confluence of factors

## Global equities performance were uneven in 2021



## Global bonds weighed by prospect of global monetary policy normalisation



Global financial markets registered mixed performances in 2021 reflecting uneven global economic recovery

- Concerns over the **durability of global economic recovery**, **timing of global monetary policy normalisation**, and the **evolving nature of the pandemic** dominated sentiments throughout 2021
- Intensified geopolitical conflicts** have significantly increased overall uncertainties in 2022. This alongside the confluence of the other factors, will shape the outlook of the global market going forward

Note: \*as at 22 March 2022

Source: Thomson Reuters Datastream

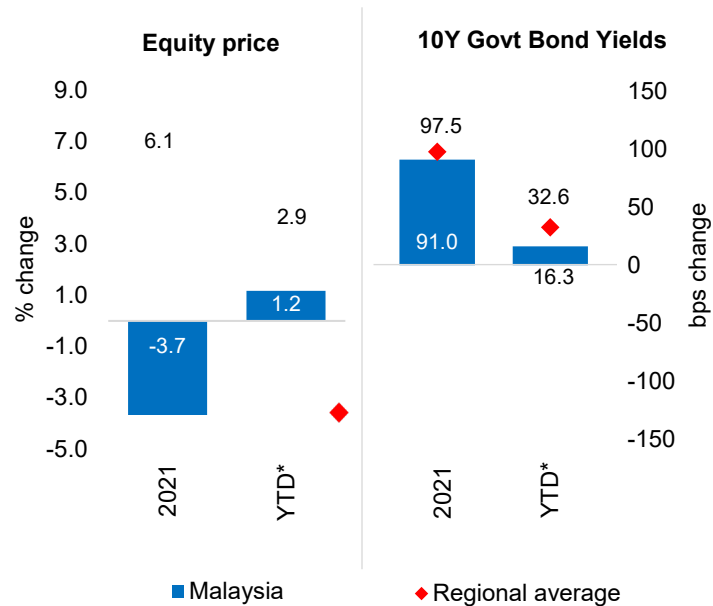
# The domestic capital market performance was affected by the challenging environment...

The Malaysian capital market ended weaker in 2021, but remained resilient entering 2022...

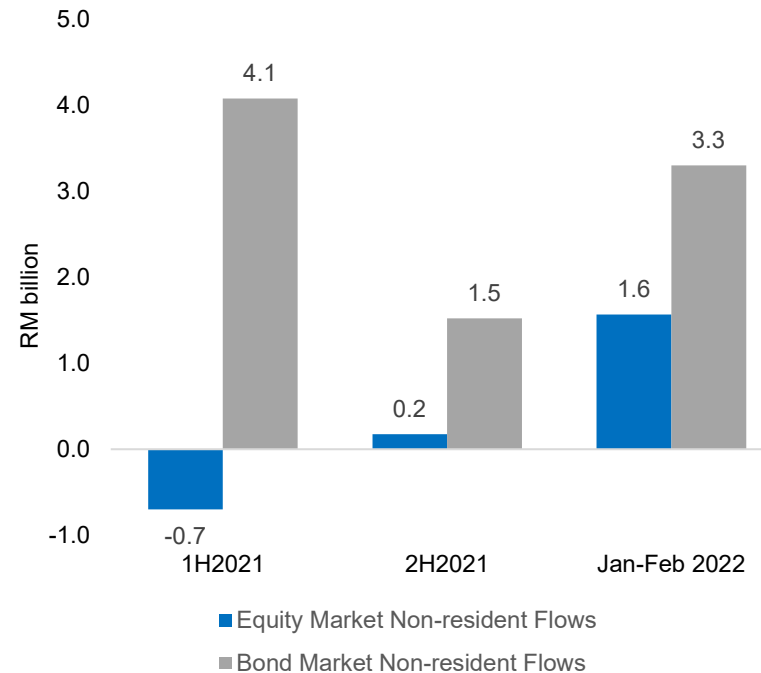
...with continued foreign interest, including the turnaround in the equity market

The Malaysian capital market was affected by continued global and domestic headwinds

Performance of Malaysia equity price and government bond yields vs regional markets<sup>1</sup>



Monthly average of non-resident portfolio flows

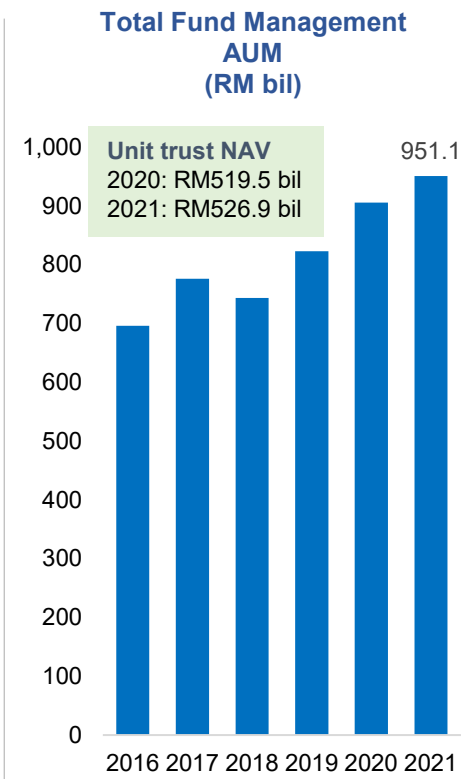
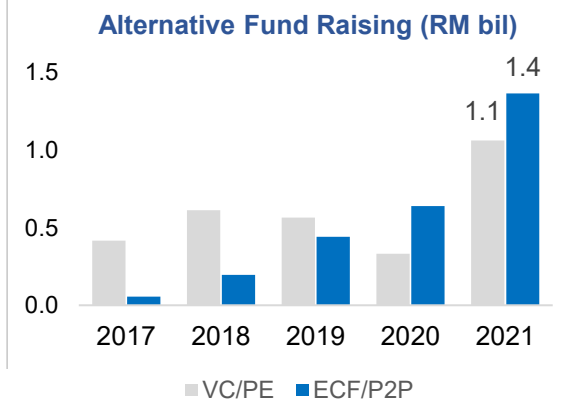
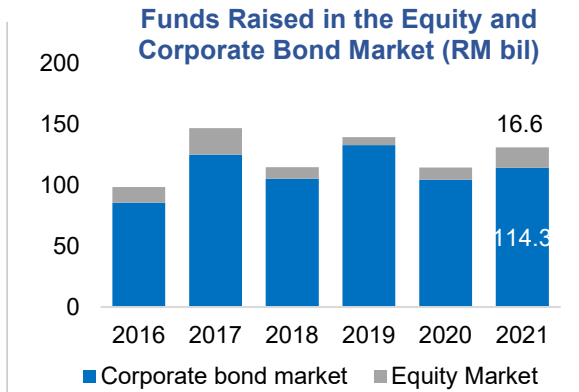
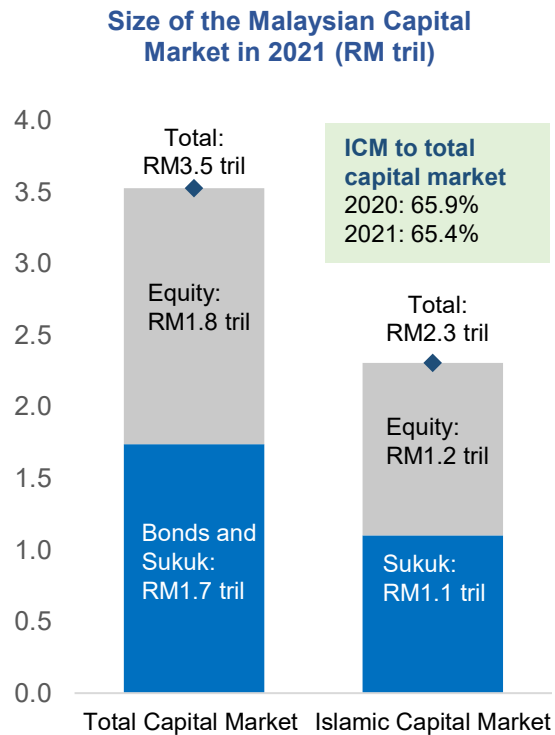


- Both the local equity and bond market ended weaker in 2021 but remained resilient as we entered 2022
- Notably, in terms of portfolio flows, we have experienced continued net inflows in the bond market, while the equity market witnessed increased foreign interest since 2H2021

Note: \*as at 22 March 2022; <sup>1</sup> Includes Indonesia, Thailand, Singapore and the Philippines  
 Source: Thomson Reuters Datastream, BNM, CEIC, SC's calculations

# ...but remained resilient and continued to finance the economy and intermediate savings

The Malaysian capital market continued to support the economy, with steady growth in funds raised and AUM



- The size of the capital market increased to **RM3.5 trillion** in 2021 (2020: RM3.4 trillion)
- **RM130.9 billion** was raised in the equity and corporate bond market (5Y pre-pandemic average: RM121.4 billion)
- Encouraging alternative financing activities, with **ECF/ P2P** increasing to **RM1.4 billion** (2020: RM640.4 million); while **VC/PE** rose to **RM1.1 billion** (2020: RM333.9 million)
- The AUM of the fund management industry expanded to **RM951.1 billion** (2020: RM905.5 billion)

Source: SC's calculations



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# PART 2

## 2021 FOCUS AND ACHIEVEMENTS



# In 2021, the SC focused on ensuring regulatory agility, promoting sustainable development and defining priorities for the next five years

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## Ensuring regulatory agility



Continued to shape behaviour through effective supervision and surveillance work



Implemented various measures to assist market participants in the pandemic



Promoted good corporate governance practices and culture



Conducted investor outreach and enforcement against scams and unlicensed activities

2

## Promoting sustainable development



Strengthened investment and funding ecosystems through flexibilities and liberalisations



Spurred continued growth via digital innovation and expanded offerings



Enhanced the sustainable and responsible investment (SRI) ecosystem



Deepened the Islamic capital market through strengthening frameworks and facilitations

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## Charting the future



Launched 5-year masterplan (CMP3) as a strategic framework for capital markets









Issued the 3-year Corporate Governance Strategic Priorities (2021-2023)

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## Systemic risks in the capital market were adequately managed and remained contained

Assessments	Observations in 2021
 <b>Equity Market &amp; Infrastructure</b>	<ul style="list-style-type: none"> <li>Domestic liquidity assessed to be sufficient for investment activities; risk management mechanisms in place</li> </ul>
 <b>PLCs</b>	<ul style="list-style-type: none"> <li>Corporate earnings improved from 2020, although Q3 2021 were impacted from business disruptions arising from MCO</li> </ul>
 <b>Corporate Bond market</b>	<ul style="list-style-type: none"> <li>Yield movements were in line with regional peers amid accommodative monetary policy; corporate bond default rate remained low</li> </ul>
 <b>Investment flow</b>	<ul style="list-style-type: none"> <li>Domestic liquidity remain supported by local institutions and retail investors; foreign bond holdings slightly above 5-year average, though foreign equity holdings fluctuated below</li> </ul>
 <b>Investment management</b>	<ul style="list-style-type: none"> <li>Fund managers had in place adequate liquidity risk management processes to manage redemptions in an orderly manner</li> </ul>
 <b>Stockbroking intermediaries</b>	<ul style="list-style-type: none"> <li>Risk management controls were sufficiently robust; risk-based capital adequacy positions remain above minimum financial requirement</li> </ul>

**The SC continued to roll out regulatory reliefs in 2021** for capital market participants to weather the impact of COVID-19. This includes reporting extensions, PN17/GN3 status exemptions, fee waivers / rebates and extension of the 20% General Mandate Private Placement relief



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## The SC remained committed to promoting good corporate governance practices and culture

### Increased adoption of corporate governance best practices by PLCs\*

**691**

(2020: 682)

PLCs with **at least one woman**  
director on the board

**24 out of 36**

(2020: 23)

MCCG best practices have an  
**adoption level of above 90%**

**312**

(2020: 286)

Resolutions were voted using the  
**two-tier voting process**

### Continued to improve culture of corporate governance



Collaborated with Monash  
University Malaysia to **inculcate**  
**early understanding of CG**  
**Principles** among the youth



Expanded board oversight to  
include sustainability issues in the  
revised **Malaysian Code on**  
**Corporate Governance**



Outlined governance expectations  
for capital market intermediaries  
via the issuance of **Guidelines on**  
**Corporate Governance for**  
**Capital Market Intermediaries**


\*The Corporate Governance Monitor 2021 reports on the adoption of the MCCG by listed companies based on the disclosures made in their Corporate Governance Reports 2020

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## The SC continued to shape behaviour through effective supervision and surveillance work


### Supervisory focus on AML/CFT, technology, SRI and conduct


 Conducted **regulatory assessments** on Bursa Malaysia's technological capabilities and 3 Digital Asset Exchanges (DAX) operators to ensure sufficient AML/CFT procedures are in place


 Conducted **thematic reviews** on trustees and SRI practices by fund management companies

 Provided **guidance to capital market intermediaries** in areas such as wholesale funds practices, anti-bribery measures and management of non-public information

### Ensured orderly trading through proactive and enhanced surveillance


 Reviewed **267 corporate announcements\* / news articles** to detect misleading disclosures or corporate transgressions

 Initiated **20 focus reviews** for questionable transactions, directors' conduct and alleged overstatement of earnings

 Monitored potential trading violations by assessing **2,588 trading anomalies** as well as conducting **698 market assessments**

### Enhanced supervisory and risk governance capabilities


 Enhanced **off-site monitoring** of intermediaries through **34 structured assessments** and **6 thematic reviews**


 Executed various **SupTech initiatives** such as:

- Developed data analytics tools to support analyses of large trading data to identify potential patterns
- Undertook fund management pilot to enhance supervision of unit trust funds

 Enhanced risk governance with implementation of an **integrated risk management framework**

### Promoted integrity of audited financial statements of PIE\* and schedule funds

 Inspected **14 audit firms** covering **45 partners** and **54 audit engagements** to uphold high audit quality standards

 Implemented **Annual Transparency Reporting** for 8 registered audit firms that met predefined criteria for better governance of audit firms

 Engaged with **677 Audit Committee Members** from **397 PLCs** to strengthen the ACs' oversight responsibility in the audit process

\* Public Interest Entities

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## The SC utilised a broad range of statutory and non-statutory enforcement tools for swifter, more targeted and effective outcomes

### Enforcement 2021

#### Criminal Action



**10**

Criminal  
charges filed



**3**

Convictions  
obtained



**RM7.6 mil**

Court fines

#### Civil Action



**6 cases**  
Civil actions  
filed



**RM2.5 mil**

Civil penalties  
imposed



**7**

Individuals barred as  
directors



**RM 2.74 mil**

Restituted to  
721 investors



**RM16 mil**

Amount disgorged /  
restitution order by  
court

#### Administrative Action



**136**

Administrative  
sanctions  
imposed



**100**

Reprimands  
issued



**RM2.9 mil**

Penalties  
imposed

#### Infringement Notices



**105**

Supervisory, warning and  
non-compliance letters issued



**28**

Cease & desist letters  
issued

- **Criminal and civil actions** related to various offences such as **unlicensed activities, insider trading and false or misleading disclosures**
- **Corporate misconduct** has emerged as the second biggest category of active investigations, after **securities fraud**
- **Administrative sanctions** were imposed for various breaches under securities laws and guidelines
- **Infringement notices** were issued for less serious breaches and operational deficiencies

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## We continued to focus on raising scam awareness and launched a study on the investing behaviour of the youth

Concluded a survey on youth investing behaviour to formulate targeted interventions



An investor study on the youth found that they were **most aware of unit trusts and stocks**



**Only 3% had a high-risk appetite** while most respondents have a medium to low-risk appetite



**Emergency purposes, family security, and debt repayment** were the common financial priorities



Findings suggest that **SC educational events** would continue to benefit investors

Continued to apply various interventions to ensure sufficient protection against scams



**275 new entries** in the Investor Alert list



**143 websites blocked** with the assistance of Malaysian Communications and Multimedia Commission



**35 Facebook accounts geo-blocked** with the assistance of Facebook Malaysia



**Internal taskforce on unlicensed activities** reviewed 159 bank accounts that identified 32 persons of interest

Raised scam and digital literacy awareness through online platforms



SC participated in Facebook Malaysia's **#TakNakScam** promoting awareness on unlicensed activities and scams



Virtual **InvestSmart® Fest 2021** with the theme, **'#JagaDiri #JagaPelaburan'**



**Monthly InvestSmart® Online Series** webinars and **Digital Literacy for Seniors** webinars continued to reach a wider audience



Collaborated with KKMM to release anti-scam awareness video **'Silap Labur Duit Lebur'**

Continuous industry collaboration is pertinent to ensure wider dissemination of key messages

## We expanded investment options, enhanced access and increased efficiency of the traditional markets

Ensuring regulatory agility

2

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### Enhanced investment and advisory options



**Expanded categories of sophisticated investors** to provide greater access to capital market products

### Enabled efficient public market fundraising



**Revised Equity Guidelines with SPAC framework** to spur interest in deals involving SPAC

### Improved liquidity and market vibrancy



**Approved two-year pilot market making program** to increase liquidity and price efficiency of mid-large cap stocks with low velocity



**Revised Guidelines on Unit Trust Funds** to promote competitiveness and innovation in the unit trust fund industry



**Streamlined ACE listing procedures** by enabling Bursa Malaysia to become the one-stop centre for ACE market listings



**Facilitated initiatives to maintain competitiveness of the derivatives market**

- Streamlined the Crude Palm Kernel Oil Futures contract
- Revision of existing MGS futures contract
- Introduced East Malaysia CPO Futures
- Enabled after hours trading for the derivatives market



**Strengthened the role of the financial planning industry** via the implementation of the joint action plan for the industry launched in 2020



**Promoted faster IPO time-to-market** via new IPO and Principal Advisor frameworks, also expanding pool of Principal Advisors

## We facilitated innovative products and intermediaries for greater inclusivity of Malaysian investors and MSMEs

Ensuring regulatory agility

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### Greater investor participation through digital services...



**570,657 new DAX accounts** opened in 2021 across the four platforms  
(2020: 80,731)



**288,475 new DIM accounts** opened in 2021  
(2020: 175,421)



**MyCIF co-invested** over RM357 million benefiting 2,280 MSMEs to-date



**Online trading value grew to 49.7%** of total trading value in 2021  
(2020: 46.7%)


### ...enabled by new digital products and scope of intermediation



**Increased ECF fundraising limit** to RM20 million



**Expanded list of eligible ECF / P2P issuers**



**Approved 1<sup>st</sup> Microfund** to be hosted on ECF Platform



**1 new RMO approved, 2 new e-services platforms and 1 online broker** go-live in 2021

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## We expanded the market to a broader range of stakeholders by deepening the SRI ecosystem and Islamic Capital Markets

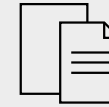
### Broadened and deepened the SRI Ecosystem



**Widened access for sustainable MSMEs** through NaviGate with participation from over 380 companies



**Enhanced clarity on issuance of SRI funds** with revised Guidelines on SRI Funds



**Principles-based SRI Taxonomy** for Malaysian capital market released for public consultation



**Accelerated financial sector readiness** to support transition towards a low-carbon economy via JC3



**Regional efforts** on ASEAN sustainable finance including development of ASEAN Taxonomy for Sustainable Finance

### Deepened the Islamic Capital Market



**Introduced Shariah Screening Assessment Toolkit** to facilitate Shariah-compliant financing for unlisted MSMEs



Number of ECF/P2P platform operators with option to offer **Shariah-compliant financing** increased to **6 from 4**



**Strengthened Shariah Governance Framework** via revised Guidelines for Shariah Advisers



**Facilitated offering of 4 waqf-featured funds** that broaden investment options with both commercial and social finance objectives



**Facilitated Islamic Fintech** through FIKRA Islamic Fintech Accelerator Program together with United Nations Capital Development Fund

## The SC has set the foundation to navigate emerging trends amidst the new normal

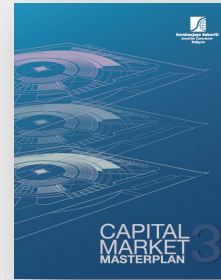
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Providing a strategic direction for the industry...



Launched the **Capital Market Masterplan 3 (CMP3)**, which serves as a strategic framework for the next stage of capital market development over a 5-year period of 2021 to 2025



Issued the **CG Strategic Priorities (2021-2023)** which represents a step forward in advancing board diversity and stewardship, as well as embedding environmental, social and governance (ESG) considerations into corporate practices

... and the SC

From an **organisational perspective**, the SC is building up digital capabilities through the implementation of a **4-year masterplan to develop technological and analytical capabilities** as we embrace the digital age





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# PART 3

## PLANS FOR 2022

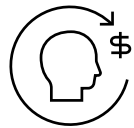


## Key trends for 2022



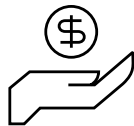
### Economic recovery amid considerable uncertainty

**Domestic economy recovery to remain amid considerable uncertainty** given external risk events, including the ongoing geopolitical conflict. Market is expected to remain volatile



### Investment diversification

**Investors' search for yield and need to diversify portfolio risks** spur demand for asset diversification and appetite for alternative asset classes such as venture capital, private equity and cryptocurrency



### Greater focus on alternative financing

**Greater domestic focus on alternative financing** catalysed by strong national-level support for entrepreneurship development through VC/PE, ECF/P2P fundraising and co-investment structures



### Increasing investor interest into sustainability

**Increasing investor interest** into ESG / SRI assets amidst the global impetus towards sustainability and inclusion



### Greater regulatory scrutiny on digital-related risks

**Need for closer regulatory scrutiny on digital-related risks**, including cryptocurrency-related, cyber security and unlicensed activities including online scams

## The SC's 2022 priorities, towards realising the desired outcomes of CMP3

### Development priorities



#### Fundraising escalator

- VC/PE tax policy, corporate venture and capacity building programs
- Expansion of marketplaces and intermediaries in the traditional markets



#### Sustainable and Responsible Investments

- SRI investing standards and taxonomy to strengthen SRI ecosystem



#### Islamic Capital Market

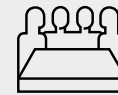
- Expansion of Shariah-compliant offerings and greater focus on social finance
- Enhancement of Islamic fintech ecosystem and outreach on Islamic market-based funding for MSMEs in halal economy



#### Investor empowerment

- Broader investment advisory models
- Expansion of investor options into alternative investment strategies
- Outreach to silver and rural population

### Regulatory priorities



#### Corporate governance and audit oversight

- Board diversity and ESG fitness for boards
- Capacity building, financial resilience, culture and governance of audit firms



#### Supervisory and enforcement

- Anti-scam awareness and enforcement
- Cases involving fraud on vulnerable investors
- Corporate misconduct – misutilisation of proceeds, inadequate disclosures and false financial statements
- Targeted supervisory assessments on fundraising platforms
- SupTech for greater efficiency



#### Regulatory reforms

- Legislative amendments for development, innovation and use of technology
- Enhancing consumer credit protection (enactment of CCA<sup>1</sup> and establishment of CCOB<sup>2</sup>)

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**Q & A**