

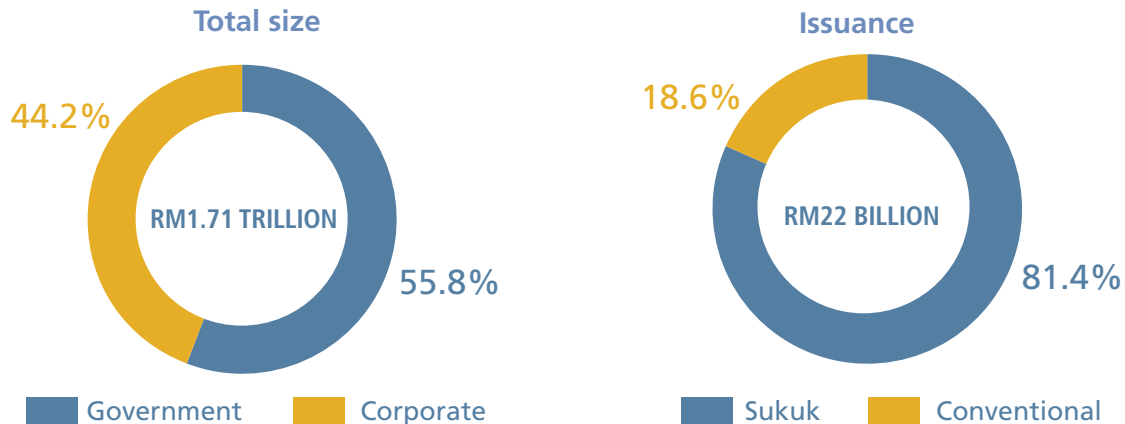
# KEY DEVELOPMENTS

## HIGHLIGHTS

- The SC launched the third *Capital Market Masterplan (CMP3)* on 21 September 2021, which will serve as a strategic framework for the growth of Malaysia's capital market over the next 5-years (2021-2025).
- As at the end of Q3 2021, the size of the Malaysian bond and sukuk market stood at RM1.72 trillion, which represented an increase of 8.2% from Q3 2020.
- The SC issued the new *Guidelines on Offer of Shares by Unlisted Public Companies to Sophisticated Investors*, and amended 3 guidelines, namely, *Guidelines on Compliance Function for Fund Management Companies*, *SRI Funds Guidelines* and *Guidelines on Islamic Fund Management*.
- The SC acts as the core contributor for two of the *Perkukuh Pelaburan Rakyat (PERKUKUH)* initiatives by the Malaysian government, where Initiative 10 (Governance Standards) and Initiative 12 (Stewardship and Active Engagement), kicked off on 23 July and 30 September 2021 respectively.

## CORPORATE BOND AND SUKUK ISSUANCES

### BOND AND SUKUK MARKET AS AT END Q3 2021: RM1.71 TRILLION



At the end of Q3 2021, the size of the Malaysian bond and sukuk market stood at RM1.71 trillion, which represented an 8.9% increase from the corresponding period in 2020. Government bonds accounted for RM956 billion or 55.8% of total bonds outstanding while corporate bonds constituted the remaining amount of RM756 billion or 44.2%. Total outstanding sukuk stood at RM1.08 trillion or 63.3% of the total bond market (Q3 2020: RM987 billion).

The issuance of corporate bonds amounted to RM22 billion in Q3 2021. Of this total, 81.4% comprised sukuk issues while conventional bonds constituted the remaining 18.6%. Total issuance in the corresponding period in 2020 amounted to RM22.1 billion.

As of September 2021, foreign investment in the bond market amounted to RM251.1 billion, which represented an increase of 19.9% from the corresponding period in 2020. Total foreign investment is presently equivalent to 14.7% of total outstanding bonds.

---

## UPDATE ON LAW REFORM AND SECURITIES REGULATION .....

### Capital Markets and Services (Amendment of Schedule 5, 6 and 7) Order

The Amendment Order was issued on 1 July 2021 to revise Schedules 5, 6 and 7 of the CMSA.

The amendments to Schedule 5 widen the type of corporate proposals that do not require the SC's approval. It includes an IEO of digital assets through an RMO and an initial public offering (IPO) or cross-listing of the shares of a public company or listed corporation on a stock exchange in Labuan or outside Malaysia.

The Amendment Order also extends the categories of persons who qualify as sophisticated investors under Schedules 6 and 7 to include among others:

- Individuals with investments of RM1 million in capital market products, either on their own or through joint accounts with their spouse;
- CEOs and directors of licensed or registered persons under the CMSA; and
- Corporations that manage funds of their related companies with assets of more than RM10 million.

This will allow investors to expand their investment options while issuers can now tap into a larger pool of sophisticated investors.

The amendments to Schedules 6 and 7 provide an exemption in relation to an offer of shares by corporations listed or to be listed on the ACE Market where the prospectus has been registered by Bursa Malaysia effective 1 January 2022. Upon the transfer of the registration function, which is currently assumed by the SC, Bursa Malaysia will become a one-stop centre for all approvals in relation to ACE Market listing.

### Capital Markets and Services (Amendment) Regulations 2021

On 1 July 2021, the amendment to the regulations was issued to revise the changes made via the Amendment Order particularly in respect of the applicable fees payable to the SC. Due to the current economic situation, a fee holiday is granted until 1 January 2022 to all capital markets' services providers, registered market operators and marketing representatives. A further extension may be considered closer to January 2022 based on the economic situation and financial standing of industry players then.

### New Guidelines on Offer of Shares by Unlisted Public Companies to Sophisticated Investors

On 5 July 2021, the SC issued the *Guidelines on Offer of Shares by Unlisted Public Companies to Sophisticated Investors* to safeguard investors' interest in the wake of increased queries and complaints received by the SC on the offering of shares by unlisted public companies (UPC) to both sophisticated and non-sophisticated investors.

The Guidelines ensure that there are controls established for any offering including marketing or distribution of its shares by a UPC to sophisticated investors are carried out in compliance with regulatory requirements. These Guidelines also impose notification and reporting obligations on the UPC for such offerings.

### Amendments to the Guidelines on Compliance Function for Fund Management Companies

On 5 July 2021, the SC issued the revised *Guidelines on Compliance Function for Fund Management Companies* (FMC Guidelines) in relation to the disclosure of interests by employees and the best execution of trade rule. The amendments include a set of criteria for identifying the employees who are involved in fund management activities and requirements for disclosure of interests by employees. The revised FMC Guidelines also include the obligations of a boutique portfolio management company in selecting its panel of stockbroking companies.

---

## Amendments to the Guidelines on Sustainable and Responsible Investment Funds

On 9 July 2021, the SC issued the revised SRI Funds Guidelines to introduce a new chapter on the requirements relating to an application for the certification of tax exemption for fund management companies managing an SRI fund. The Guidelines also provide greater clarity on the requirements relating to a feeder fund seeking to be qualified as an SRI fund.

## Amendments to the Guidelines on Islamic Fund Management

On 22 September 2021, the SC issued the revised *Guidelines on Islamic Fund Management* (IFM Guidelines) to present the additional requirements applicable to a fund manager seeking to apply to the SC for the certification of tax exemption on income derived from managing Shariah-compliant funds.

## CORPORATE GOVERNANCE

### SC-Monash University Malaysia Collaboration Agreement on CG

On 30 August, the SC Chairman delivered the inaugural lecture on 'Board Diversity: Making Good Boards Great'. The lecture was part of the collaboration

agreement formalised on 27 May 2021 to organise guest lectures by the SC and joint research efforts. The collaboration agreement aims to promote early understanding of CG principles and practices among students of Monash University.

## MARKET DEVELOPMENT

### Joint Committee on Climate Change meeting

On 2 August 2021, the Joint Committee on Climate Change (JC3)<sup>1</sup> discussed the progress of its current priorities and ongoing initiatives in pursuing collaborative actions for building climate resilience within the Malaysian financial sector. Key initiatives presented include:

- Establishment of the Climate Change and Principle-Based Taxonomy (CCPT) Implementation Group to support the CCPT's consistent and credible implementation by financial institutions;
- Plans to release the reference guides on climate risk management and scenario analysis, and climate-related disclosures; and

---

<sup>1</sup> JC3 is a platform established in September 2019 to pursue collaborative actions for building climate resilience within the Malaysian financial sector. Led by the SC and Bank Negara Malaysia (BNM), members include senior officials from Bursa Malaysia and 19 financial industry players as well as relevant experts.

- Engagements with the business community to support the financing needs of corporates and their supply chains in their transition to sustainable practices.

The newly-established Sub-Committee on Bridging Data Gaps will work towards creating a catalogue of climate data that can be accessed by the financial sector. The JC3 also published a report on key insights, discussions, and call to action from the Virtual JC3 Flagship Conference “FinanceforChange” held in June 2021.

Following the meeting, the Sub-Committee on Product and Innovation discussed the next steps to implement the initiatives chaired by the SC, agreed by JC3. The discussions focused on engagements with key players in selected economic sectors to better understand their sustainable financing needs

and develop the publication of a JC3 Report on the current landscape of sustainability-related financial products and solutions.

### **Venture capital and private equity registration framework**

The SC is reviewing the venture capital (VC) and private equity (PE) registration framework. Proposed enhancements include expanding access for angel investors to invest in VC and PE funds. These enhancements aim to widen the pool of investors particularly for seed and early-stage segments. Other enhancements include streamlining and simplifying the registration classes under the framework and raising professional standards through strengthened fit and proper checks.

## **DEVELOPMENT OF ISLAMIC CAPITAL MARKET** .....

### **Launch of the Shariah Screening Assessment Toolkit for the Unlisted MSMEs**

On 5 August 2021, in conjunction with the inaugural SC-HDC Forum 2021, the SC introduced the Shariah Screening Assessment Toolkit for the Unlisted MSMEs (Toolkit). The introduction of the Toolkit is part of ongoing efforts to enhance the ecosystem for Shariah-compliant fundraising activities through the equity crowdfunding (ECF) and peer-to-peer financing (P2P financing) platforms. It also provides guidance in screening the Shariah status of the MSMEs in the unlisted market, which serves to benefit the ECF and P2P financing platform

operators, Shariah advisers, as well as any interested parties.

The Toolkit includes a series of assessment questions that are based on the Shariah screening methodology for the MSMEs, which has been endorsed by the Shariah Advisory Council (SAC) of the SC.

It will provide investors with greater opportunities to diversify their investment universe via access to the Shariah-compliant unlisted market. It will also enable more diversified Shariah-compliant investment portfolios across asset classes and economic sectors.

---

## SC-Halal Development Corporation Forum 2021

The SC and Halal Development Corporation (HDC) jointly organised the inaugural SC-HDC Forum 2021, supported by Capital Markets Malaysia (CMM) held from 5 to 6 August 2021, with the theme 'Enabling Growth through the Islamic Capital Market'. The forum aimed to reach out to the MSMEs in the Halal ecosystem and promote alternative fundraising options i.e. ECF and P2P financing, as a means to support the growth of the Halal economy.

Among the topics discussed at the Forum were market-based funding options for Halal businesses,

the global Halal industry outlook and the current status of Malaysia's Halal industry. The Forum attracted more than 500 local and international participants from various sectors including the government, regulators, Shariah advisers, academia, and industry practitioners.

## Shariah-compliant securities review

In Q3 2021, the SC reviewed 4 pre-IPO applications, 1 IPO, 302 listed securities and 1 new securities on the LEAP Market, which are Shariah-compliant.

## INVESTOR EMPOWERMENT PROGRAMMES

The SC continued its investor empowerment programmes to reach out to the public despite the reinstatement of MCO by the Malaysian government in Q2 2021. The SC retained its focus on digital media, television and collaborated with partners who have developed online investor education programmes to widen its reach during the MCO. InvestSmart® also made full use of its social media platforms to engage the public with bite-sized information to educate them on capital market products and services.