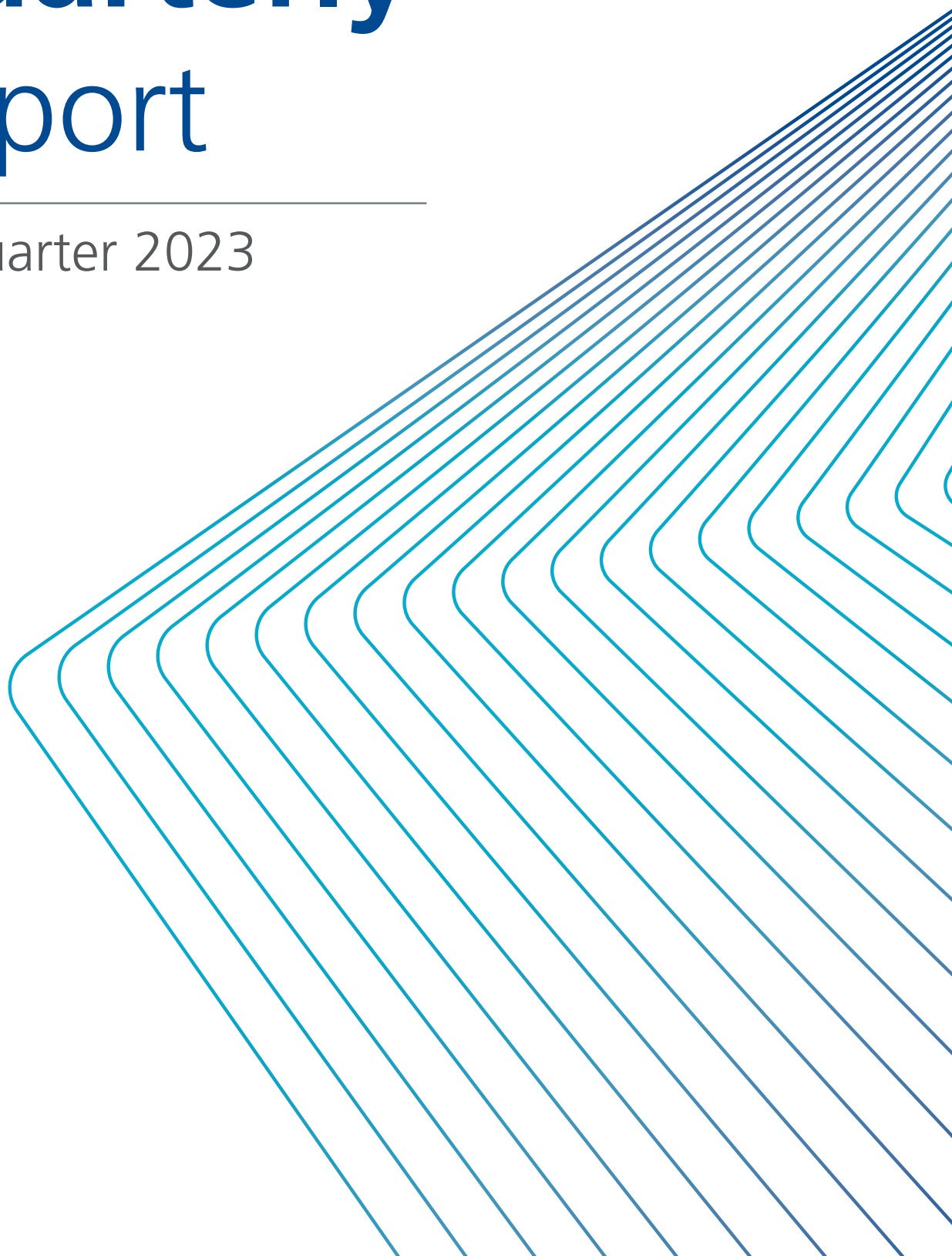




Suruhanjaya Sekuriti
Securities Commission
Malaysia

Quarterly Report

1st Quarter 2023



Securities Commission Malaysia

1st Quarter 2023

CONTENTS

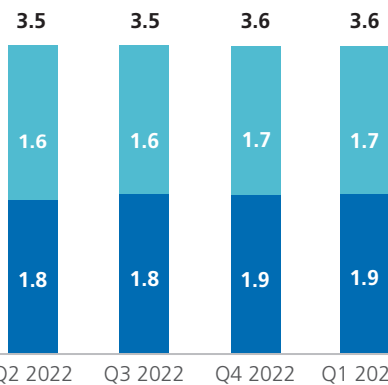
Key Highlights	2
Market Overview	5
Key Developments	9
Issues and Investments	26
Market Supervision	32
Enforcement	34
Service Delivery – Performance Scorecard	37

KEY HIGHLIGHTS

SIZE OF CAPITAL MARKET AND FUNDRAISING

The total capital market size saw marginal improvement in Q1 2023, driven by higher bonds and sukuk outstanding

Capital market size (RM trillion)*

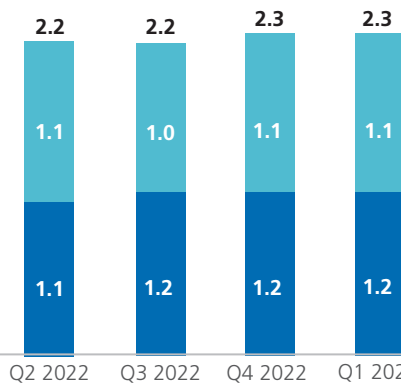


■ Equity market capitalisation ■ Bond and sukuk outstanding

Q2 2022	Q3 2022	Q4 2022	Q1 2023
-3%	+0%	+4%	+1%

The Islamic capital market (ICM) saw modest growth in Q1 2023, driven by higher sukuk outstanding despite weaker Shariah compliant equity market capitalisation

Size of ICM (RM trillion)*



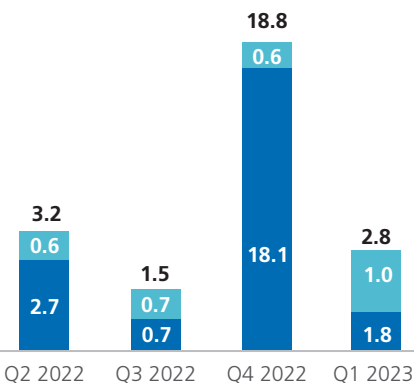
■ Shariah-compliant equity ■ Sukuk outstanding

Q2 2022	Q3 2022	Q4 2022	Q1 2023
-5%	+0%	+6%	+1%

Quarterly growth

Total equity fundraising declined in Q1 2023, driven by a reduction in secondary issuances despite an improvement in the primary market issuances[#]

Equity fundraising (RM billion)*

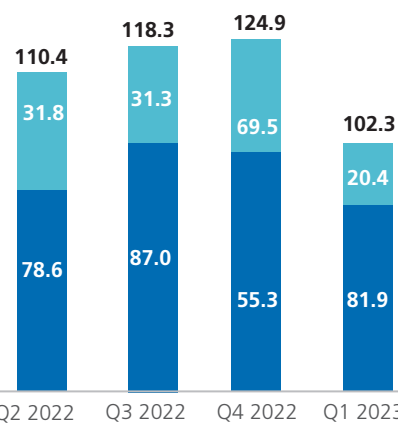


■ Primary Issue (IPO) ■ Secondary Issue

Q2 2022	Q3 2022	Q4 2022	Q1 2023
27%	-55%	+1191% [#]	-85%

Overall bond fundraising declined due to weaker corporate bond fundraising activities

Bond fundraising (RM billion)*



■ Government bond ■ Corporate bond

Q2 2022	Q3 2022	Q4 2022	Q1 2023
+36%	+7%	+6%	-18%

Quarterly growth

Note:

* Due to the rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

[#] Quarter-on-quarter growth is due to the completion of the merger between Celcom Axiata Bhd and Digi.com Bhd in Q4 2022 (*special issue of RM16.06 bil).

ASSET UNDER MANAGEMENT

Key Highlights

Assets under management (AUM) saw marginal growth in Q1 2023, following the upward movement of global equity markets

Total AUM (RM billion)*



Quarterly growth

Note:

* Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

ENHANCE BREADTH AND DEPTH OF THE CAPITAL MARKET

Enabling greater fundraising avenues and enhanced market vibrancy



Launched the **Corporate Venture Capital (CVC)** program to enhance the venture capital and private equity (VCPE) ecosystem through encouraging corporate investments by larger public listed companies



Facilitated the introduction of Bursa Malaysia's new **transfer of listing framework from LEAP to ACE Market** to increase the accessibility and attractiveness of the equities market



Broadened product offerings on Bursa Malaysia Derivatives through granting Approval-in-Principle to introduce the **mini-United States Dollar and Chinese Renminbi futures contract**



Issued **5 new Capital Markets Services Licences (CMSL)** and 226 applications for new Capital Markets Services Representative's Licences (CMSRL)

Expanding the ICM Ecosystem



Organised **Nadwah of Shariah Advisers** with 200 attendees, towards advancing applied Shariah knowledge sharing and charting innovative Shariah solutions



Issued amendments to Bursa Malaysia Main Market Listing Requirements to facilitate the offering of **listed REIT and ETF with waqf features**



Approved Bursa Malaysia amendments to the Islamic Securities Selling and Buying Negotiated Transaction (ISSBNT) Framework to **allow greater flexibility in trading Shariah compliant securities**

KEY HIGHLIGHTS

FACILITATE THE NATIONAL ENVIRONMENTAL, SOCIAL AND GOVERNANCE AGENDA

Enhancing the multi-stakeholder ecosystem for ESG and sustainable and responsible investment (SRI)



Supported the release of **ASEAN Taxonomy for Sustainable Finance V2**, bolstering Malaysia's green recovery agenda and ambition to achieve a net-zero greenhouse gases emissions



Revised the **Guidelines on Sustainable and Responsible Funds (Guidelines on SRI Funds)** to enhance disclosure and reporting requirements in compliance with the **ASEAN Sustainable and Responsible Fund Standards**



Held the first **NaviGate: Capital Market Green Financing Series** for the year in efforts to increase awareness among the industry on financing opportunities for sustainability related initiatives



Conducted the **SRI Taxonomy: Insights and Implementation programme** which provided insights into the newly released Principles-Based SRI Taxonomy to guide businesses towards being more sustainable

Streamlining ESG disclosure standards and regulations



Introduced a new **mandatory training program on sustainability for directors** through amendments to Bursa Malaysia Listing Requirements



Established an advisory committee to facilitate the implementation of the **International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards**

Strengthening corporate governance practices



Approved the amendments in the Listing Requirements to rectify issues in relation to **conflict of interest involving directors and senior management** to enhance transparency and accountability

STRENGTHEN INVESTOR EMPOWERMENT AND LITERACY

Strengthening investor protection



Engaged over 1,000 attendees of various demographics via 6 InvestSmart® programmes to promote investment literacy and raise awareness on scams and unlicensed activities



Leveraged digital media platforms to **raise awareness on capital market products and services, scams and unlicensed activities** reaching out to more than 500,000 users online

Promoting shared accountability and self-regulation



Issued the revised **Guidelines on Credit Rating Agencies (CRA Guidelines)** to strengthen the role, independence and objectivity of credit rating agencies in providing credible credit rating opinions

Facilitating and enhancing cooperation



Signed a **Memorandum of Understanding with Securities and Exchange Regulator of Cambodia** to facilitate greater regulatory, enforcement, and supervisory co-operation

GLOBAL OVERVIEW

Global capital markets showed signs of stability in Q1 2023, bolstered by expectations of a less severe global economic slowdown in 2023, following better-than-expected economic indicators and China's economic reopening. Nevertheless, financial market volatility increased towards the end of Q1 2023 as sentiment turned broadly cautious, amid concerns in the banking sector following stress in several US and European banks. Meanwhile, global bond yields largely declined, given a shift in expectations towards slower global monetary policy tightening by major central banks.

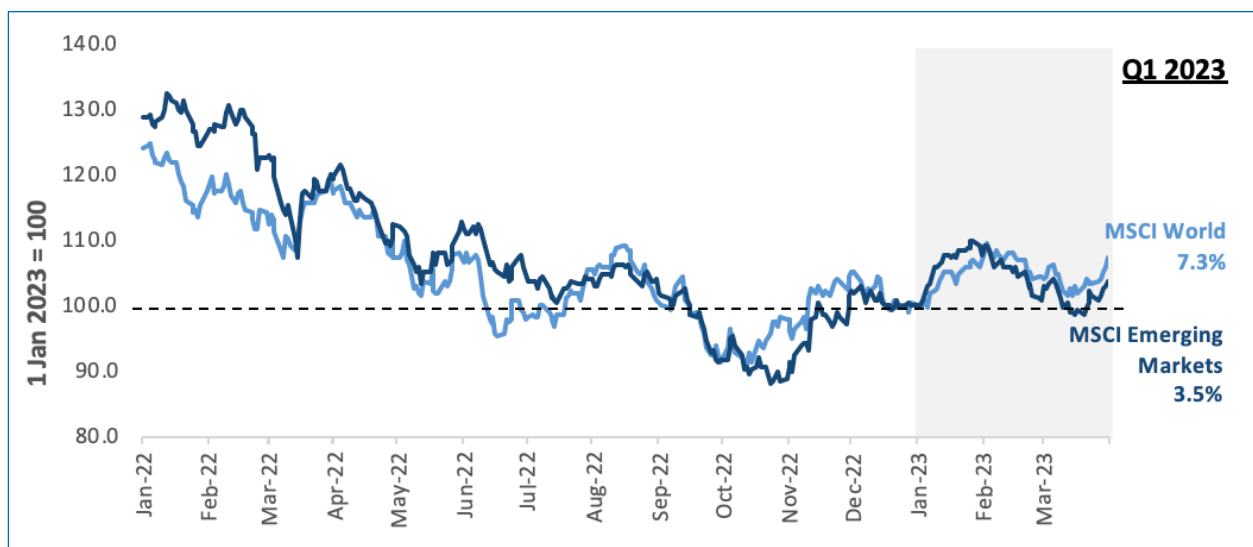
In global equities, the MSCI World index remained in positive territory to end Q1 2023 higher by 7.3% (Q4 2022: 9.4%). Investor sentiment was supported by expectations of a better-than-expected global growth outlook, offsetting concerns of negative banking news from several banks in the US and Europe. Likewise, the MSCI Emerging Markets index ended Q1 2023 higher by 3.5% (Q4 2022: 9.2%), largely buoyed by optimism surrounding China's economic reopening. In the US, the S&P 500 rose by 7.0% in Q1 2023 (Q4 2022: 7.1%), supported by a slew of favourable corporate earnings releases, cushioning banking sector jitters. Likewise, the Euro Stoxx 50 gained by 13.7% (Q4 2022: 14.3%), while the UK FTSE 100 rose by 2.4% (Q4 2022: 8.1%). In Asia, the Nikkei 225 rose 7.5% in Q1 2023 (Q4 2022: 0.6%).

Meanwhile, global bond yields were mostly lower, amid a confluence of factors from signs of cooling global inflation, expectations of slower interest rate hikes by major central banks, and the prospect of a less severe global growth slowdown in 2023. At its Federal Open Market Committee (FOMC) meeting in February and March 2023, the US Federal Reserve (Fed) raised its Federal Funds Rate by a total of 50 bps to 5.00% in Q1 2023, with 25 bps each while signalling that the current hike cycle is nearing an end. Likewise, the Bank of England (BOE) weighed the possibility of ending its rate hike run while the European Central Bank (ECB) retained its rate hike pledge, after raising its interest rate by 50 bps as expected in March 2023.

UST 10-year yields declined by -35.0 bps to 3.48% (Q4 2022: 3.83%). Similarly, German bund 10-year yields and UK Gilt 10-year yields declined by -25.2 bps and -18.0 bps to 2.31% and 3.49% respectively in Q1 2023. In Asia, Japan's 10-year government bond yields fell by -6.4 bps to 0.35% (Q4 2022: 0.42%). Meanwhile, EM sovereign bond yields ended similarly lower, in tandem with the performance of the global bond market.

Chart 1

MSCI World vs. MSCI EM performances



Source: Refinitiv Datastream.

Table 1

Performance of global equities by selected major markets

Selected major equity markets (% change from preceding period)	2022	Q4 2022	Q1 2023
MSCI World	-19.5	9.4	7.3
MSCI Emerging Markets	-22.4	9.2	3.5
S&P 500	-19.4	7.1	7.0
Euro Stoxx 50	-11.7	14.3	13.7
UK FTSE	0.9	8.1	2.4
Nikkei 225	-9.4	0.6	7.5

Source: Thomson Reuters Datastream.

Table 2

Performance of global bonds by selected major markets

Selected major bond markets (bps change from preceding period)	2022	Q4 2022	Q1 2023
US Treasury 10-year	233.3	2.7	-35.0
German Bund 10-year	274.1	45.1	-25.2
UK Gilt 10-year	269.7	-42.3	-18.0
Japanese Government Bond 10-year	34.8	17.3	-6.4

Source: Refinitiv Datastream.

DOMESTIC REVIEW

The performance of the domestic capital market remained subdued in Q1 2023, weighed down by foreign equity fund outflows, signs of softening domestic economic activities amid easing momentum in selected high-frequency economic indicators, and weaker corporate earnings. In addition, investor sentiment was weak, particularly towards the end of Q1 2023 in March 2023, weighed by downward pressure on banking stocks due to concerns of contagion from the banking crisis in the US and Europe.

The FBMKLCI declined by -4.9% to 1,422.59 points in Q1 2023, while the broader FBMEMAS index fell by -2.6% to 10,419.6 points. In terms of market capitalisation, the size of the local bourse contracted by -1.6% to RM1.71 trillion in Q1 2023 (Q4 2022: RM1.74 trillion). Meanwhile, domestic bond yields ended broadly lower, amid increased expectations of slower interest rate increases by major central banks and a pause in Bank Negara Malaysia's (BNM) monetary policy tightening in Q1 2023. Consequently, the overall Malaysian Government Securities (MGS) yield curve broadly shifted downward, with yields falling between 2 to 37 bps across all major tenures.

In terms of capital flows, foreign investors remained net sellers of Malaysian equities in Q1 2023 amounting to -RM1.9 billion (Q4 2022: -RM2.2 billion). Correspondingly, local institutions and retailers were net buyers to the tune of RM1.8 billion (Q4 2022: RM2.4 billion) and RM94.3 million (Q4 2022: -RM169.5 million), respectively. Meanwhile, the local retail participation rate averaged at 27.9% in terms of value traded in Q1 2023 (Q4 2022: 25.90%). The local bond market, meanwhile, witnessed foreign net inflows amounting to RM11.4 billion in Q1 2023 (Q4 2022: -RM8.2 billion). On the currency front, the ringgit depreciated against the US dollar by -0.17% to RM4.41 during Q1 2023 (Q4 2022: RM4.40).

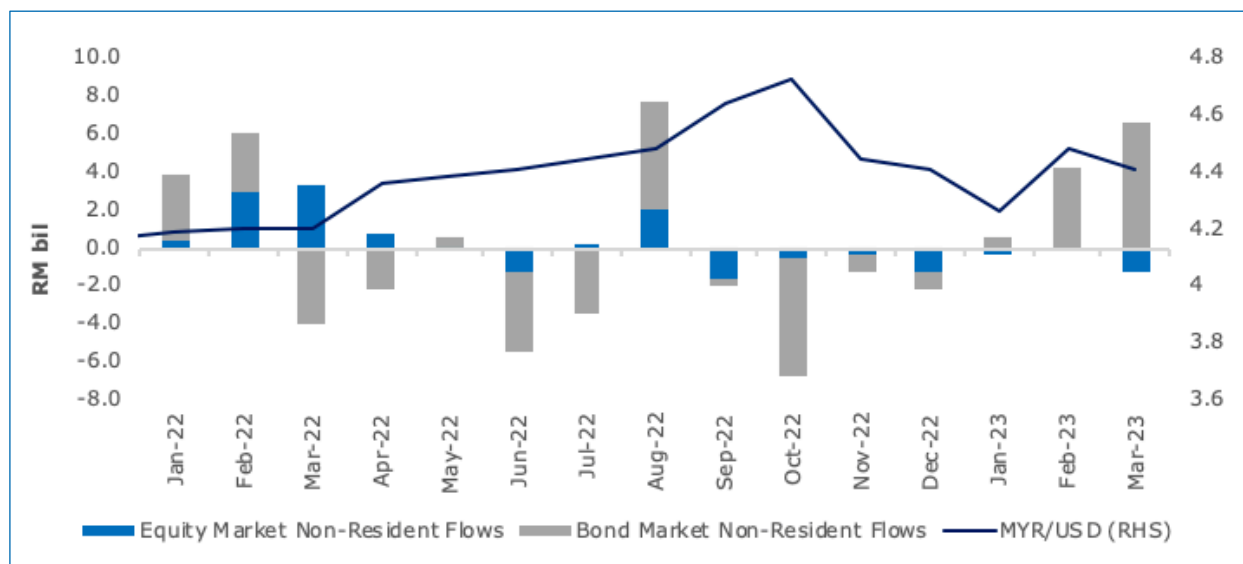
Table 3

Domestic and regional market performance

Regional indices (% change from preceding period)	2020	Q4 2022	Q1 2023
Malaysia FBMKLCI	-4.6	7.2	-4.9
Singapore STI	4.1	3.9	0.2
Thailand SET	0.7	5.0	-3.6
Philippines PCOMP	-7.8	14.4	-1.0
Indonesia JCI	4.1	-2.7	-0.7

Source: Refinitiv Datastream.

Chart 2

Non-residents' portfolio flows

Source: Bank Negara Malaysia, Bursa Malaysia.

KEY DEVELOPMENTS

HIGHLIGHTS

- As at end of Q1 2023, the size of the Malaysian bond and sukuk market stood at RM1.91 trillion, which represented a 9% increase from Q1 2022.
- On 10 January 2023, the SC issued the revised CRA Guidelines to enhance and strengthen the role, independence and objectivity of credit rating agencies (CRAs) in providing credible credit rating opinion.
- The revised Guidelines on SRI Funds was issued on 17 January 2023, aim to enhancing the disclosure and reporting requirements for a fund seeking qualification as SRI.
- The SC also approved amendments to the Bursa Malaysia Rules and Listing Requirements which includes various scopes relating to the Bursa's rules and listing requirements.

CORPORATE BOND AND SUKUK ISSUANCES

At the end of Q1 2023, the size of the Malaysian bond and sukuk market stood at RM1.91 trillion. This represented a 9% increase from the same corresponding period in 2022. Government bonds accounted for RM1.09 trillion or 57% of total bonds outstanding while corporate bonds constituted the remaining amount of RM818 billion or 43%. Total outstanding sukuk stood at RM1.22 trillion or 64% of the total bond market (Q1 2022: RM1.12 trillion).

The issuance of corporate bonds amounted to RM20.4 billion in Q1 2023. Of this total, RM15.9 billion or 78% comprised sukuk issues while conventional bonds constituted the remaining RM4.5 billion or 22%. Total issuance in the corresponding period in 2022 amounted to RM20.6 billion.

As at March 2023, foreign investment in the bond market amounted to RM258.2 billion which represented a 0.3% decrease from the corresponding period in 2022. Total foreign investment is presently equivalent to 14% of total outstanding bonds.

LAW REFORM AND SECURITIES REGULATION

Amendments to the CRA Guidelines

On 10 January 2023, the SC issued the revised CRA Guidelines to enhance and strengthen the role, independence and objectivity of CRA in providing credible credit rating opinion. Following a holistic review of the CRA framework, key amendments to the CRA Guidelines include the following:

- (a) Enhancing governance requirements by requiring—
 - (i) the establishment of board committees for matters on nomination of candidates in a board of directors and board committees, review on financial matters, and risk management and remuneration framework and policies;
 - (ii) majority independent directors for the composition of the board of directors and all board committees as well as a quorum of meeting for the board of directors and board committees; and
 - (iii) the Chairman of the board of directors and board committees to be an independent director.
- (b) Enhancing independence requirements by limiting the tenure of an independent director of a CRA and rating holding company, and external members of a CRA's rating committee, to a cumulative term of 9 years from the date of first appointment to such capacity;
- (c) Enhancing fit and proper criteria and extending the fit and proper requirements applicable to the controller and compliance officer of the CRA, and the senior management of the CRA and its rating holding company;

- (d) Incorporating new registration criteria on minimum paid-up capital of RM10 million to ensure the financial stability of the CRA;
- (e) Improving the integrity of the rating process of a CRA by requiring majority external members for the composition of CRA's rating committee and quorum of meeting; and
- (f) Introducing a new requirement on SC's prior approval for the proposed appointment of the CRA's compliance officer.

The revised CRA Guidelines took effect on 10 January 2023.

Revision of the Guidelines on SRI Funds

On 17 February 2023, the SC issued the revised Guidelines on SRI Funds, to enhance the disclosure and reporting requirements for a fund-seeking qualification as SRI. In addition, the revision also incorporated the implementation of the *ASEAN Sustainable and Responsible Fund Standards* developed by the ASEAN Capital Markets Forum (ACMF) in Malaysia.

Key amendments included among others, the introduction of new requirements to prescribe the disclosure of reference benchmarks and indices, sustainability risk considerations, use of third-party verifications and obligations of the issuer. Relevant reporting and notification requirements have also been enhanced. In addition to this, a new chapter was inserted to prescribe the requirements for new or existing funds to seek qualification as an ASEAN Sustainable and Responsible Fund.

The revised Guidelines on SRI Funds took effect on 17 February 2023.

Amendments to Bursa Malaysia Rules and Listing Requirements

- (i) **Amendments to the *Bursa Malaysia Securities Clearing Sdn Bhd's Clearing and Settlement Operational Procedures and Central Matching Facility Operational Procedures* (collectively, BMSC Operational Procedures) in relation to Shariah clearing and settlement method under the Institutional Settlement Services (ISS) facility.**

On 3 January 2023, the SC approved Bursa Malaysia's notification on amendments made to the *BMSC Operational Procedures* to allow Shariah clearing and settlement method under the ISS facility.

Currently transactions by institutional investors (both Shariah and conventional) are being cleared and settled through conventional method. As such, the amendments were made to allow Shariah-compliant methods of clearing and settlement on the ISS facility, which includes specifying system requirements in the BMSC Operational Procedures.

These amendments took effect on 16 January 2023.

- (ii) **Amendments to Rules of Bursa Malaysia Securities Bhd and Participating Organisations' Directives and Guidance (BMS Rules and Directives) in relation to the Trading of Leveraged and Inverse Exchange-Traded Funds (L&I ETF)**

On 6 January 2023, the SC approved amendments to the BMS Rules and Directives following a post-implementation review conducted by Bursa Malaysia Bhd. The review highlighted, among others, poor reception on trading of L&I ETF by investors possibly contributed by the Participating Organisations' lengthy onboarding process.

Amendments were made to ease the Participating Organisations' onboarding process, which includes clarifying the self-declaratory approach adopted for trading L&I ETF. Such clarification would further

ensure that only investors who satisfy the prescribed qualifying criteria are allowed to trade L&I ETF and they are cognisant of the risks involved.

These amendments took effect on 20 January 2023.

- (iii) **Amendments to the *Islamic Securities Selling and Buying Negotiated Transaction (ISSBNT) Operational Guidelines for Approved Suppliers and Approved Users (ISSBNT Guidelines)* in relation to management of non-Shariah compliant ISSBNT eligible securities**

On 9 January 2023, the SC approved Bursa Malaysia's notification on amendments made to the ISSBNT Guidelines and Frequently-Asked Questions regarding ISSBNT to specify guidance to the ISSBNT participants on managing ISSBNT eligible securities that have subsequently become non-Shariah compliant securities.

These amendments took effect on 20 January 2023.

- (iv) **Amendments to the *CDS Procedures Manual for Authorised Depository Agents and Authorised Depository Members* as respectively as well as the *Procedures Manual for eRapid User* (collectively, Bursa Depository Manuals) in relation to the automation of certain processes**

On 14 February 2023, the SC approved Bursa Malaysia's notification on amendments made to the *Bursa Depository Manuals* to automate certain processes on Bursa Depository systems following an initiative undertaken by Bursa Malaysia known as Robotic Process Automation.

Amendments were made to the *Bursa Depository Manuals* to automate the process for submission of application forms by Bursa Depository participants to access the web-based CDS system (WebCDS) and electronic information transmission system between Bursa Malaysia, issuers and participating organisations (eRapid) which was previously administered manually. This includes application to

request a new User ID, assign task, reactivate or remove User ID, and reset password.

These amendments took effect on 7 March 2023 and 20 March 2023 respectively.

(v) Amendments to Bursa Malaysia Main Market Listing Requirements and ACE Market Listing Requirements (collectively, Listing Requirements) in relation to Conflict of Interest and Other Areas

On 29 March 2023, the SC approved the amendments to the Listing Requirements which focuses on enhancing the requirements to address issues associated with conflict of interest (COI) involving directors and key senior management with the listed issuer and its subsidiaries.

The key amendments made include the following:

- (a) Promote greater transparency of directors' and key senior management's COI interest by enhancing the disclosure requirements relating to COI; and
- (b) Enhance accountability of the audit committee in its oversight over COI situations by requiring the audit committee to disclose a summary of any COI or potential COI situation reviewed by the audit committee in its audit committee report.

Bursa Malaysia is targeting to issue these amendments by Q2 2023.

(vi) Amendments to Bursa Malaysia ACE Market Listing Requirements (ACE Listing Requirements) in relation to the Transfer of Listing of listed corporations from LEAP Market to ACE Market (LEAP Market Transfer Framework) and Recognised Approved Adviser (RAA) Framework

On 24 February 2023, the SC approved the amendments to the ACE Listing Requirements to facilitate the LEAP Market Transfer Framework for eligible LEAP Market listed corporations and to

expand the role of eligible Approved Adviser under the RAA Framework.

The key amendments of the LEAP Market Transfer Framework included, among others the following:

- (a) Requires a transfer applicant who wishes to transfer its listing to the ACE Market to comply with the eligibility criteria per below.
 - (i) Have been listed for at least 2 years on the LEAP Market;
 - (ii) Be considered as suitable for listing after the assessment by its sponsor;
 - (iii) Comply with the admission procedures to the ACE Market and transfer of listing procedures from LEAP Market to ACE Market; and
 - (iv) Undertake an issue of shares to the general public as part of its transfer of listing.
- (b) Requires disclosures in the announcement, circular to shareholders or prospectus on the details and progress of the business plan and utilisation of proceeds raised during its LEAP Market listing.
- (c) Requires a clear price discovery mechanism for the transfer applicant's shares which will be transferred to the ACE Market including its scope and requisite disclosures; and
- (d) Shorten the transfer applicant's sponsorship period to 2 full financial years (instead of 3) or 1 full financial year after it has generated operating revenue, whichever is the later.

The key amendments of the RAA Framework encompass, among others the following:

- (a) Requires the Approved Adviser servicing the LEAP Market to comply with the eligibility criteria per below to become a RAA—
 - (i) have acted as Approved Adviser for at least 3 initial listings on the LEAP Market.

- (ii) have at least 1 employee who is a Qualified Person as per the SC's *Licensing Handbook*; and
 - (iii) have satisfactory conduct and work record with no adverse record, pending investigation or enforcement action initiated against it by Bursa Malaysia or the SC.
- (b) the scope of the RAA may be expanded to the following:
- (i) Act as a joint transfer sponsor for a LEAP Market transfer applicant which it has acted either as an Approved Adviser for its initial listing, or as its continuing adviser for at least 1 full financial year on the LEAP Market;
 - (ii) Serve as a replacement sponsor of a ACE Market listed corporation which it has acted as a joint transfer sponsor; or
 - (iii) Act as an adviser for any ACE Market listed corporation which it has acted as a joint transfer sponsor, which undertakes a permitted corporate proposal, during or after the sponsorship period.

Bursa Malaysia has issued the amendments on 31 March 2023.

(vii) Amendments to Bursa Malaysia Main Market Listing Requirements and ACE Market Listing Requirements (collectively referred to as Listing Requirements) in relation to the sustainability training for directors

On 2 March 2023, the SC approved Bursa Malaysia's amendments to the Listing Requirements in relation to the sustainability training for directors.

The key amendments aim to strengthen the environmental, social and governance (ESG) fitness of boards by imposing a new mandatory training programme on sustainability for directors. This sustainability training is an extension of the existing

onboarding programme for newly appointed directors of a listed issuer or listing applicant known as the Mandatory Accreditation Programme (MAP), which covers corporate governance and a director's roles, duties and liabilities, as well as key expectations under the Listing Requirements.

The amendments will be issued together with a joint press release by the SC and Bursa Malaysia targeted in June 2023.

(viii) Amendments to Bursa Malaysia's Main Market Listing Requirements in relation to listed real estate investment trusts and exchange-traded funds (ETFs) with *waqf* feature

On 15 March 2023, the SC approved the amendments to the Main Market Listing Requirements to facilitate the offering of listed real estate investment trusts (REITs) and ETFs with *waqf* feature.

These amendments were made pursuant to the *Guidelines on Islamic Capital Market Products and Services* (ICMPS Guidelines) issued by the SC on 28 November 2022 to expand the Waqf-Featured Fund Framework to listed Islamic funds such as REITs and ETFs. The key amendments, aimed to enhance the post-listing disclosure framework for listed REITs and ETFs with *waqf* feature, include the following:

- (a) Enhancing the immediate announcement requirement and contents of periodic reports to facilitate access to meaningful and value-add information for unitholders.
- (b) Enhancing the contents of the distribution statement of a REIT to provide unitholders comprehensive insight into their distribution entitlement; and
- (c) Making other consequential changes pursuant to the issuance of ICMPS Guidelines for clarity, consistency and certainty.

These amendments took effect on 3 April 2023.

MARKET DEVELOPMENT

DIGITAL INNOVATION FUND TO BOOST PRODUCTIVITY AND INCREASE DIGITALISATION IN THE CAPITAL MARKET

On 1 January 2023, the SC invited eligible capital market players to submit applications for Digital Innovation Fund (DIGID) until 30 November 2023 or until funds are fully utilised. DIGID was established to co-fund innovative projects that utilise technology to enable new and competitive propositions for the Malaysian capital market. It aims to encourage technology investments by smaller capital market players and the development of industry-wide solutions, impacting capital raising and investment activities.

Successful applicants will receive funding on a reimbursement basis in accordance with agreed milestones. The funding amount will cover up to 70% of approved qualifying expenses with total amount of disbursements that may be granted per project capped at RM500,000. As at 31 March 2023, the SC has received 14 DIGID applications from the industry.

SUSTAINABLE AND RESPONSIBLE INVESTMENT

Revision to the Guidelines on SRI Funds

Apart from enhancing the disclosure and reporting requirements for SRI funds to be qualified under the recent issuance of the revised version of the Guidelines on SRI Funds on 17 February 2023, the Guidelines also aims to ensure adequate information is provided to investors to mitigate greenwashing risks. The revision also incorporates additional requirements to comply with the *ASEAN Sustainable and Responsible Fund Standards* (SFRS).

SRI awareness and capacity-building initiatives

The SC organised and conducted awareness and capacity-building initiatives as well as participated as panel speakers for several external engagements to further create awareness and enhance the profiling of SRI.

SC – Securities Industry Development Corporation Programme on Sustainable and Responsible Investment Taxonomy: Insights and Implementation

Following the release of the *Principles-Based Sustainable and Responsible Investment Taxonomy for the Malaysian Capital Market* (SRI Taxonomy) in December 2022, the SC in collaboration with SIDC organised the 'SRI Taxonomy: Insights and Implementation Programme' on 10 March 2023. The programme provided insights into the recently released SRI Taxonomy and how it could serve as a guide for organisations to pivot their business model in meeting sustainability objectives.

The SC Chairman delivered the opening remarks where he highlighted the importance of having a common foundation for sustainability. He also highlighted how the SRI Taxonomy presents a significant opportunity to ensure the standardisation and comparability of SRI assets, avoiding possible market fragmentation and reducing the risk of green washing.

The SIDC and the SC participated in a 'Suite Chat on Developing and Implementing the SRI Taxonomy: Regulator's Perspective', to provide the regulator's perspective on the development and implementation of the SRI Taxonomy in Malaysia.

The SC also participated as a speaker in the panel session on 'What's Next for Sustainable Finance Taxonomies', where the session highlighted how the SRI Taxonomy could encourage the issuance of new SRI products in the capital market by providing greater clarity and transparency on what constitutes as sustainable investments, as well as its importance in facilitating a just transition.

SC – BNM Visit to Kuching, Sarawak

The SC and BNM participated in a series of engagements with relevant ministries, government agencies, and other key stakeholders in Kuching, Sarawak on 27 to 28 February 2023. The engagements were aimed to gain insights on Sarawak's strategies for sustainability, as well as to discover potential areas of collaboration.

A roundtable discussion on 'Sustainable Finance: Building Climate Resilience amid the Transition to a Low-Carbon Economy', was also held with Sarawak's business leaders and financial institutions, to raise greater awareness on the SC and BNM's sustainability-related initiatives, and to understand the key impediments and potential opportunities for sustainable finance in Sarawak.

NaviGate: Capital Market Green Financing Series

The SC held its first NaviGate programme for the year in Johor Bahru on 9 March 2023, which was organised in conjunction with Capital Markets Malaysia (CMM)'s Corporate Sustainability Day. The programme aimed to increase awareness among the public and private sector industry players on capital market financing opportunities for sustainability-related purposes.

The programme featured various financing platforms to facilitate financing for green, social, and sustainability purposes such as the SC's SRI and SRI-Linked Sukuk, ASEAN's Green, Social, Sustainability, and Sustainability-Linked bonds, as well as alternative financing avenues via equity crowdfunding (ECF) and peer-to-peer financing

(P2P financing). The programme, which was attended by more than 80 participants from businesses (micro, small and medium enterprises (MSMEs) and corporates) and various agencies, created a networking opportunity to connect relevant stakeholders with the capital market industry players.

PLANMalaysia Symposium: Using the World Bank's Environmental and Social Framework to strengthen country systems for competitiveness and inclusive growth

The SC participated in the symposium, 'Using the World Bank's Environmental and Social Framework to Strengthen Country Systems for Competitiveness and Inclusive Growth' which was jointly organised by the Department of Town and Country Planning (PLANMalaysia) and the World Bank.

The SC, spoke at a panel session on Environmental and Social Taxonomies for Sustainable Finance and its Implication for the National Environmental and Social Regulatory Framework. The session discussed the various taxonomies available globally including a presentation on the SRI Taxonomy. The presentation provided insights on the SRI Taxonomy and highlighted its environmental, social and sustainability components.

CORPORATE GOVERNANCE

Small and Medium Enterprises Governance Working Group – Brainstorming Session

The SC organised a brainstorming session for the Small and Medium Enterprises (SME) Governance Working Group (Working Group) on 13 January 2023 to identify the governance challenges affecting SMEs. The Working Group was formed in March 2022 to identify the governance needs of MSMEs and recommend governance best practices for MSMEs through the development of the SME Governance Toolkit.

The brainstorming session was chaired by the SC and attended by the Working Group members which comprise representatives from Kementerian Pembangunan Usahawan dan Koperasi, SME Corporation Malaysia and Malaysian Institute of Corporate Governance.

To support the discussions, the Working Group had also invited the SC and representatives from Khazanah Research Institute and SME Bank Malaysia to share their views on among others, the role of small businesses in the Malaysian economy, and how governance would be key in levelling up these businesses for the next phase of economic development.

Participation in MAVCAP Accelerating Venture Event in conjunction with International Women's Day 2023

On 6 March 2023, the SC participated in the Malaysia Venture Capital Management Bhd (MAVCAP) Accelerating Venture event, in conjunction with International Women's Day 2023. The SC participated in a panel discussion on 'Does Gender Matters in the Digital World', which touched on the opportunities and challenges faced by women in the workforce, the current state of women participation in leadership positions and the collective effort required to close gender gaps and break gender biases, particularly in the fintech industry.

Participation in the 45th Organisation for the Economic Co-operation and Development Corporate Governance Committee Meeting

The 45th Organisation for the Economic Co-operation and Development (OECD) Corporate Governance Committee (CGC) meeting was held from 14 to 15 March 2023 at the OECD Headquarters in Paris where Malaysia was represented by the SC.

The meeting focused on final discussions on the draft revision to the *G20/OECD Principles of Corporate Governance* (Principles), the internationally accepted framework on corporate governance. To date, there have been 4 rounds of revisions to the draft Principles, and the SC has made several interventions including verbal interventions at the committee meetings as well as providing written comments to the OECD. Following this final revision, the Principles will be subjected to endorsement by the G20 countries, for issuance in June 2023.

The SC will also be hosting the 2023 OECD Asia Roundtable on Corporate Governance in October 2023, which will also be the platform for the Asia launch of the revised Principles.

Development of the Mandatory Accreditation Programme Part II: Leading for Impact

The Leading for Impact Program (LIP) is an initiative under the SC's *Corporate Governance Strategic Priorities 2021-2023* and is a mandatory onboarding programme on sustainability for all directors of listed issuers on Bursa Malaysia. The programme aims to strengthen the ESG fitness of boards by providing directors with foundational knowledge and practices to address sustainability effectively. The Institute of Corporate Directors Malaysia (ICDM) was appointed by the SC as the service provider of LIP.

A Programme Advisory Committee (PAC) was established to oversee the development and implementation of LIP, as well as to ensure that the programme meets its intended objectives. Chaired by the SC, other members of PAC include Bursa Malaysia and ICDM.

On 23 March 2023, the first PAC meeting was held to discuss among others, the content development of LIP and the appointment of content developers. The first LIP session is scheduled to take place in Q3 2023.

Establishment of a National Sustainability Disclosure Working Group

A National Sustainability Disclosure Working Group (Working Group) was established by the SC, with endorsement from the MOF to identify the enablers that will facilitate the implementation of the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB) in Malaysia.

Members of the Working Group comprise representatives from the SC (as Chair), Audit Oversight Board (AOB), BNM, Bursa Malaysia, Companies Commission of Malaysia and Financial Reporting Foundation.

The responsibilities of the Working Group are to:-

- a) review and identify a framework to facilitate the implementation of the ISSB Standards in Malaysia, including among others, the oversight structure, key implementation milestones, and costs related to implementing the ISSB Standards as well as an appropriate and sustainable funding mechanism;
- b) identify other supporting elements that need to be in place for the convergence of the local sustainability disclosure requirements with the ISSB Standards, for example, capacity-building needs and framework for assurance; and
- c) submit the relevant recommendations and action plan to the MOF for consideration.

Introduction of Mini USD/CNH Currency Futures

On 24 February 2023, the SC granted approval in principle for the introduction of the mini-United States Dollar and Chinese Renminbi (FCNH) futures contract on Bursa Malaysia Derivatives (BMD). The contract is based on a licensing agreement with the Hong Kong Futures Exchange (HKFE) for the settlement price of Hong Kong's US dollar/Chinese Renminbi (CNH) currency contract.

The settlement price in Hong Kong is used as a reference on the expiry of the FCNH contract. However, all other elements in the FCNH contract specifications such as trading hours, contract size and limits are determined by BMD.

The introduction of FCNH accords Malaysia's largest export and SME-centered economy the ability to deepen its participation in the local exchange-traded derivatives market. It also fulfils a tangible 'real economy' needed to ensure exchange rate volatility among the currencies of the world's two largest economies can be hedged effectively on a domestic platform. Furthermore, the contract would broaden product offerings on BMD beyond the current suite of commodities, interest rate, financial and equity-based products. The contract is targeted for launch at the end of 2023 and is pending BNM approval under Notice 5 of the Foreign Exchange Policy.

Widening Sophisticated Investor Categorisation

On 29 March 2023, the SC approved a policy to expand investment opportunities for investors by revising the categories of sophisticated investors. The proposal to widen investor participation encompassed providing flexibilities within the calculation of high-net-worth individual (HNWI) threshold, allowing more types of accredited investors and expanding products available to angel investors.

Among others, the revisions of the sophisticated investor definition include:-

- allowing the value of primary residence to be capped at RM1 million, when determining the net asset of HNWI;
- expanding of the definition of HNWI which currently can be jointly held with a spouse to include blood or adopted children;
- allowing subsequent acquisition of the same unlisted capital market products at a lower

ticket size, under the condition that a minimum investment level of RM250k is always maintained;

- extending angel investor participation into other capital markets products provided such investors are members of angel networks; and
- expanding qualification criteria to include a defined premise of knowledge and experience (encompassing professional career, educational background, and relevant training) which will be undertaken on a self-declared basis.

The approved proposals reflect evolving global trends and the need to stay competitive regionally. The SC will undertake an industry consultation to seek feedback in relation to the proposed categories of investors. In terms of approach in implementation, it was also decided that the updated sophisticated investor definition is to be

reflected under new/revised Guidelines rather than through amendments to respective schedules under the *Capital Markets and Services Act 2007* (CMSA).

Launch of inaugural Corporate Venture Capital Program

The SC, in collaboration with its affiliate CMM and Malaysian Digital Economy Corporation (MDEC), organised the first corporate venture capital (CVC) programme of its kind to build on the existing ecosystem on 21 March 2023. The purpose of the programme is to advance the domestic VC and PE ecosystem by stimulating corporate investments by the larger public-listed companies (PLCs). The CVC programme also sought to connect the different ecosystem players and enablers with PLCs taking on the journey to build CVC programs. A total of 79 attendees were present over the two-day event, which includes workshop sessions by innovation experts, keynote presentations, panel sessions and a networking dinner.

AUDIT OVERSIGHT BOARD ACTIVITIES

As of 31 March 2023, a total of 357 individual auditors and 36 audit firms were registered with the AOB. In addition, 12 foreign individual auditors from 4 foreign audit firms were recognised by AOB. During Q1 2023, the AOB team completed inspections on 4 audit firms.

DEVELOPMENT OF ISLAMIC CAPITAL MARKET

SC Nadwah of Shariah Advisers in Islamic Capital Market 2023

On 6 March 2023, the SC Nadwah of Shariah Advisers in Islamic Capital Market 2023 (SC Nadwah) was held at the SC. The inaugural gathering garnered the participation of close to 200 attendees from Islamic finance industry practitioners, Shariah committee members, Shariah advisers registered with the SC and various stakeholders of the Islamic capital market (ICM). The event is expected to be held annually and signals the SC's continued commitment to advancing applied Shariah knowledge sharing and charting the next wave of innovative Shariah solutions within the ICM.

Among the main objectives of the SC Nadwah are for participants to gain insights as well as to be kept abreast on the latest resolutions of the Shariah Advisory Council (SAC) of the SC and regulatory updates and development in ICM. In line with this objective, the event also seeks to increase professionalism and competency of Shariah advisers' knowledge and experience in ICM through the interactive and engaging panel sessions conducted throughout the event.

Furthermore, in tandem with the SC's initiative to broaden the expertise and depth of the Shariah adviser's fraternity, SC ICMD through SC Nadwah aims to contribute to the increase in the number of Shariah Committee members and Shariah officers of Islamic Financial institutions as registered Shariah advisers with the SC.

FIKRA ACE

The SC has taken various initiatives to enhance the ICM ecosystem, one of which being the inaugural SC's Islamic fintech accelerator programme - FIKRA launched in 2021. As a continuation, FIKRA ACE is introduced in 2023 to enhance the ICM ecosystem by identifying and scaling up fintech players with innovative solutions in Malaysia through a structured approach with effective collaborators; and to develop capacity and create talent pipeline in the Islamic fintech space to support ICM.

The FIKRA ACE initiative consists of three components as follows:

- (a) **FIKRA Accelerator** – A 6–8-week accelerator programme that aims to connect innovative start-ups through a collaborative environment for mentors, investors, and industry enablers, along with relevant regulatory guidance. The accelerator will be organised in collaboration with the industry and government agencies (e.g. MDEC) and will be held on a cohort basis between 2023-2025.
- (b) **FIKRA Circle** – An alliance of the Islamic fintech community with a focus on using fintech as an enabler to further enhance key focus areas within the ICM e.g. Islamic social finance. FIKRA Circle will consist of members across the ICM including, but not limited to, selected SAC members, governmental and regulatory bodies, halal economy and Islamic social finance authorities, and industry members from relevant fintech stakeholders.
- (c) **FIKRA Excel** – An avenue for collaboration between the SC and public and private higher learning institutions to develop and roll out programmes relevant to the growth of fintech within the ICM while spurring talent development among students via moon-shot programmes and hackathons focused on Islamic fintech solutions.

Strategic engagements with relevant stakeholders are currently on going. FIKRA Accelerator is expected to be launched by end of Q2 2023, and subsequently followed by FIKRA Circle and Excel by Q2 2023.

SHARIAH

The SAC held three meetings in Q3 2022. Below are the key outcomes from these meetings:

Shariah Resolutions

- (a) Shariah Status, Investment and Trading of Solana (SOL), Cardano (ADA), Uniswap (UNI) and Chainlink (LINK) from Shariah Perspective

The SAC had deliberated on the following:

- (i) The Shariah status of SOL, ADA, UNI and LINK; and
- (ii) The Shariah ruling of investment and trading of SOL, ADA, UNI and LINK through Digital Asset Exchanges registered with the Commission (Registered DAX).

The SAC resolved as follows:

- (i) SOL, ADA, UNI and LINK are recognised as *mal* (asset) from a Shariah perspective.
- (ii) SOL and ADA are considered as Shariah-compliant digital currencies based on technology without any underlying in the category of *`urudh* (goods).
- (iii) LINK is considered as Shariah-compliant digital currencies based on technology without any underlying in the category of *`urudh* since it is already issued but yet to be allocated.
- (iv) UNI is considered as Shariah-compliant digital currencies based on technology without any underlying in the category of *`urudh*. However, UNI carries additional benefit i.e. its holders are entitled to voting right in determining the future development of Uniswap exchange; and
- (v) Investment and trading of SOL, ADA, UNI and LINK through Registered DAX are permissible and are not subject to the Shariah principle of *ba'i al-sarf* (currency exchange).

Industry Proposals

- (a) Islamic Structured Product Programme 1 and Islamic Dual Currency Investment (DCI-i)

The SAC deliberated and approved an industry proposal on a structured product programme namely the Islamic Structured Product Programme 1 (Programme 1) and the product series under the Programme 1 i.e. DCI-i to be issued by an Islamic bank. DCI-i was based on the Shariah principles of *murabahah* via *tawarruq* arrangement, *wakalah*, *wa'd* and *ba'i al-sarf*.

- (b) Islamic Structured Products Programme - Negotiable Islamic Callable Range Accrual (NICRA)

The SAC deliberated and approved an industry proposal on a structured product programme namely the Islamic Structured Products Programme (Programme) and the first product series under the Programme, i.e. NICRA, to be issued by an Islamic bank. NICRA was based on the Shariah principles of *musawamah* (via *tawarruq* arrangement), *murabahah* (via *tawarruq* arrangement), *wakalah*, *wa'd*, *ibra'* and *ujrah*.

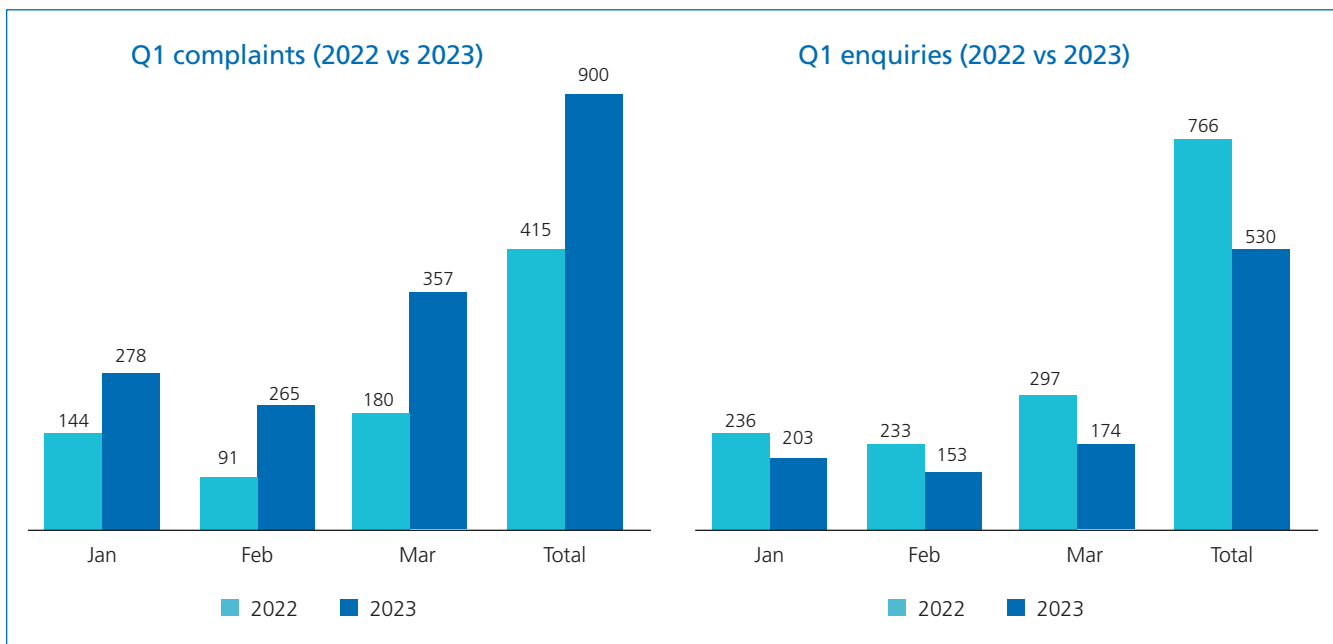
Shariah-Compliant Securities Review

The SAC reviewed 6 pre-initial public offering (Pre-IPO) applications, 2 IPOs, and 203 listed securities during Q1 2023. The Shariah-compliant status consists of 6 pre-IPO, 2 IPOs and 155 listed securities. Meanwhile, the Shariah non-compliant status consists of 48 listed securities.

INVESTOR EMPOWERMENT INITIATIVES

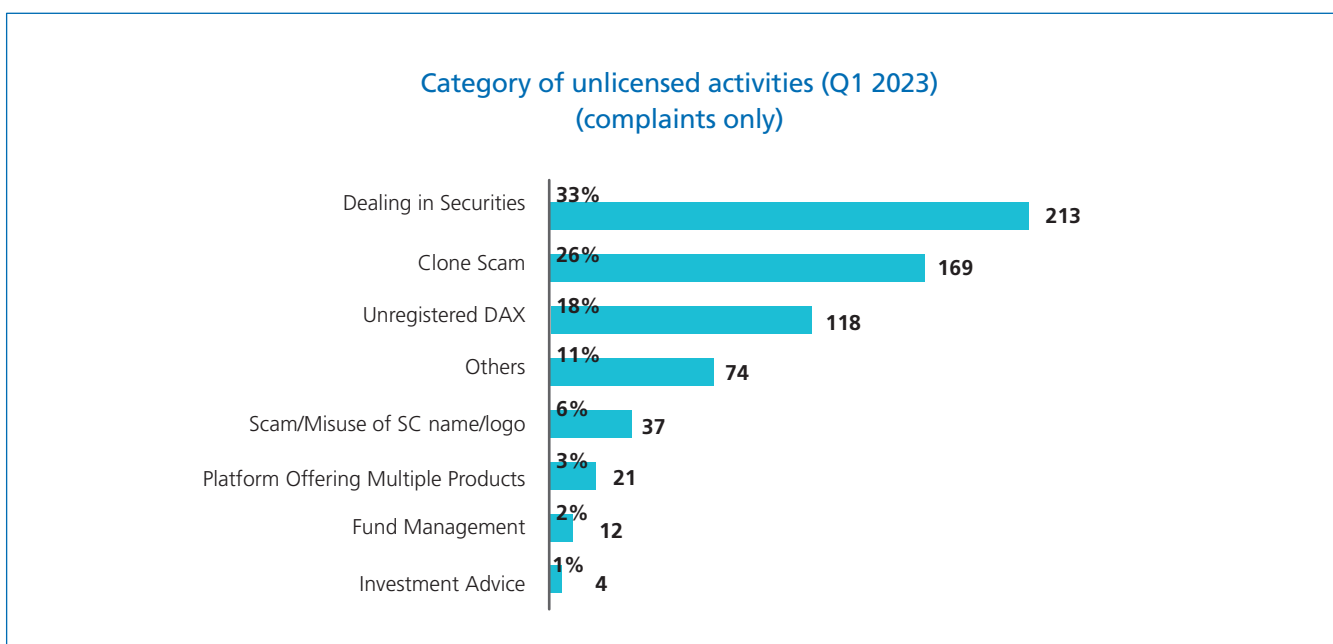
Complaints and enquiries management

As of 31 March 2023, the SC received 1,430 cases comprising 900 complaints and 530 enquiries. The charts below show the comparison of complaints and enquiries for the period ended Q1 2022 and Q1 2023.

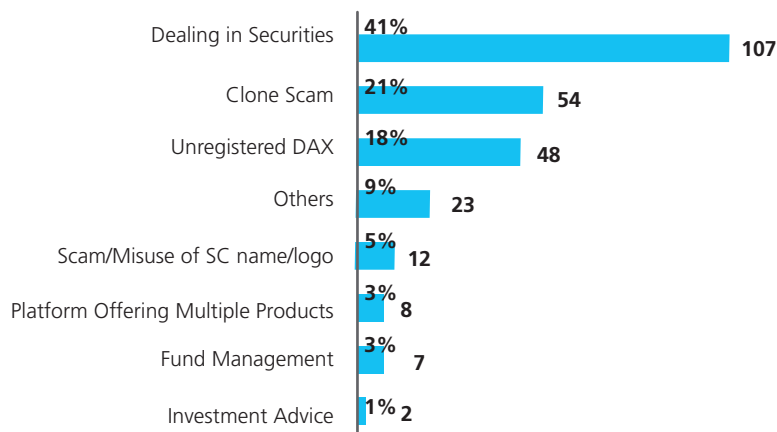


As illustrated in the chart above, the number of complaints received in Q1 2023 rose by 117% while the number of enquiries received fell by 31% compared to Q1 2022, an indication that the public is now more aware of the SC's *Aduan* hotline and email.

Classification of Unlicensed Activities:



Category of unlicensed activities (Q1 2023) (enquiry only)



Actions taken on unlicensed activities for Q1 2023

Actions Taken – CIO	CIO	SUA*
Commence enforcement	0	0
Issuance of cease and desist	0	0
Alert List inclusions	77	7
Block websites	60	1
Police reports	15	0
Facebook Geo-block	17	7
Telegram block application	50	1
Instagram block application	4	1
Social media intervention	95	0
Referral to other agencies/ foreign regulators	18	0

*This column shows the number of actions that the SC had taken to assist the Surveillance on Unlicensed Activities Unit (SUA), which was formed on 15 October 2021. SUA is tasked to carry active surveillance to identify unlicensed activities or scams and take appropriate actions, as necessary.

Actions taken on unlicensed activities for Q1 2023

Application for removal	3
Removed from Alert List	4 (3 applied for removal in 2022)
Rejected	2

Investor empowerment programme

The SC continued with its investor empowerment programme efforts through InvestSmart®. Apart from organising and participating in on-the-ground physical events, InvestSmart® also retained its focus on leveraging digital media to reach out to the public with its investor education initiatives. The initiatives conducted by InvestSmart® during Q1 2023 are as follows:

- a) **Virtual #FinPlan4U x Global Money Week 2023:** In conjunction with the OECD's Global Money Week 2023, InvestSmart® organised a virtual #FinPlan4U service desk between 20 to 24 March 2023. This event was rolled-out in collaboration with the Financial Planning Association of Malaysia (FPAM) and Malaysian Financial Planning Council (MFPC).

#FinPlan4U is a free one-hour 1-to-1 financial planning consultation session offered to members of the public. Throughout the week, 56 individuals received free financial planning consultation sessions with licensed financial planners.



- (b) **InvestSmart® @ SC x Projek Belia Mahir:** After a hiatus of more than 3 years since COVID-19 pandemic started, the SC resumed its quarterly half-day financial literacy seminars for the public called InvestSmart @SC. In 2023, the seminars which will be held in the SC's building, targeting vulnerable groups. In Q1 2023, the session held on 16 March 2023 was attended by 100 youth trainees and trainers from the *Projek Belia Mahir*. These youth trainees, who are categorised under NEET (Not in Employment, Education & Training) were exposed to various knowledge relating to effective financial management, spare change investing and how to avoid being victims of scams. This event is also held in conjunction with the OECD's Global Money Week 2023.



- (c) **InvestSmart® Online Series:** The SC also continued with its InvestSmart® Online Series webinars to provide the public knowledge on the basics of capital market products and services, and awareness of scams and unlicensed activities. In Q1 2023, a total of 120 individuals participated in a webinar titled 'Semak Sebelum Labur' held on 30 March 2023.
- (d) **My Money & Me Programme 2022 by the Malaysia Financial Planning Council:** The SC once again participated in MFPC's online 'My Money and Me' Programme for 2023. In 2023, the MFPC will be organising on-the-ground physical workshops at 5 locations nationwide, with each session targeting a minimum of 200 participants. In Q1 2023, the first workshop was held in Selangor on 11 March 2023, attended by 262 participants. The SC InvestSmart® team manned the Financial Education Network (FEN) booth and took up a speaking slot during the workshop.



- (e) **InvestSmart® @ Federation of Investment Managers Malaysia Online Webinar:** On 21 March 2023, the SC was invited as a speaker at FIMM's online webinar titled 'Investing Responsibly and with Confidence'. The other speakers included SIDC and FIMM. The webinar attracted 389 attendees.
- (f) **InvestSmart® @FLY Malaysian Youth Finance Series 2023:** 'Malaysian Youth Finance Series' or MYFS for short is FLY: Malaysia's annual flagship event consisting of a panel discussion and competition. This year's theme was Crisis Management and Sustainability, aimed to provide our youth audiences with a deep dive into ESG as well as resource management.



The SC, as the Co-Chair of FEN was invited to give a keynote address during the launch. The SC's InvestSmart® team also joined the BNM's team to man the FEN's booth opened for the event. The event was held on 19 March 2023 and attracted 100 attendees.

- (g) **InvestSmart® @Ministry of Higher Education OECD Global Money Week 2023 Launch:** The SC's InvestSmart® team participated in MOHE's GMW 2023 launch event on 20 March 2023 as part of the FEN booth. The event was held at the MOHE building in Putrajaya. During the half-day session, the InvestSmart® team took the opportunity to engage with MOHE officers and spread awareness of scams and unlicensed activities.



(h) **Public service announcement on television, radio stations, and public transport**

During Q1 2023, the SC in collaboration with the Ministry of Communications and Digital, issued one PSA in the form of the *Silap Labur Duit Lebur* jingle featuring, Dato' Sri Siti Nurhaliza on all local TV, radio stations and public transports from 9 January 2023 to 10 April 2023. The jingle reminds members of the public to always be vigilant when making investment decisions.

(i) **InvestSmart® social media postings**

InvestSmart® also continues to make full use of its social media platforms to reach out to the public with bite-sized information to further expose them on capital market products and services, and awareness of scams and unlicensed activities. Numerous social media postings in multi-languages were made on InvestSmart®'s Facebook, Instagram, Twitter and TikTok reaching out to more than 500,000 users during Q1 2023.



HIGHLIGHTS

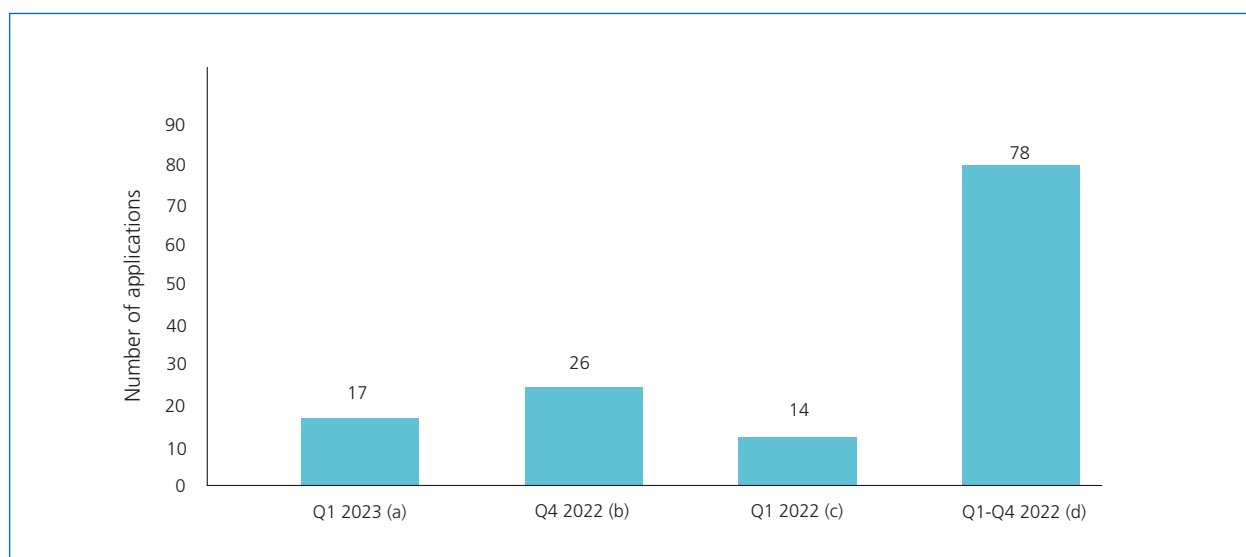
- The SC approved 3 substantive applications¹ for various corporate proposals by companies in Q1 2023.
- Total funds to be raised from the proposals approved by/lodged with the SC in Q1 2023 amounted to RM30.67 billion, all from corporate bonds and sukuk.
- The SC considered 9 submissions in relation to take-overs, mergers and compulsory acquisitions in Q1 2023.
- In Q1 2023, the net asset value (NAV) of unit trust funds increased from RM487.94 billion as at 31 December 2022 to RM489.01 billion as at 31 March 2023.

EQUITIES, CORPORATE BONDS AND SUKUK

The SC approved 3 substantive applications¹ for various corporate proposals by companies in Q1 2023. In addition, there were 14 corporate bonds and sukuk lodgments submitted under the Lodge and Launch Framework (LOLA Framework).

Chart 1

Substantive applications approved and lodged



Note:

(a) Include 14 corporate bonds and sukuk lodged under LOLA Framework.

(b) Include 18 corporate bonds and sukuk lodged under LOLA Framework.

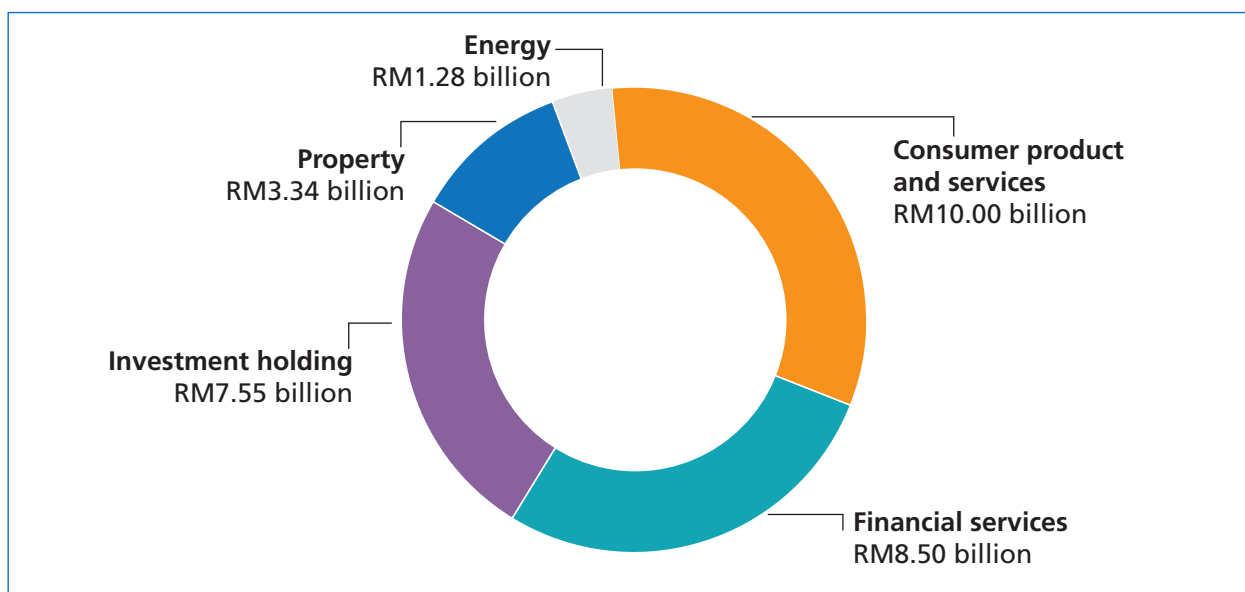
(c) Include 13 corporate bonds and sukuk lodged under LOLA Framework.

(d) Include 62 corporate bonds and sukuk lodged under LOLA Framework

¹ Substantive application include IPOs, reverse takeovers, transfer listings to Main Market of Bursa Malaysia, secondary listing proposals and corporate bonds/sukuk proposals.

Chart 2

Funds approved/lodged to be raised by sectors: RM30.67 billion



The total funds to be raised from the proposals approved by/lodged with the SC in Q1 2023 amounted to RM30.67 billion, all from corporate bonds and sukuk. The consumer products and services sector would raise the largest amount of funds amounting to RM10.00 billion or 33%.

TAKE-OVERS AND MERGERS

The SC considered 9 submissions in relation to take-overs, mergers and compulsory acquisitions in Q1 2023, comprising the following:

- Clearance of 2 take-over offer documents;
- Clearance of 1 independent advice circular;
- 4 applications for exemptions from the mandatory offer obligation; and
- 2 other applications in relation to the provisions of the CMSA/ *Malaysian Code on Take-overs and Mergers 2016* (Code)/ *Rules on Take-overs, Mergers and Compulsory Acquisitions* (Rules).

The 9 submissions considered during Q1 2023 represented a decrease of 53% compared with 19 submissions considered in Q1 2022.

The 2 take-over offers documents cleared by the SC in Q1 2023 involved a conditional voluntary take-over offer by Lembaga Tabung Angkatan Tentera for Boustead Holdings Bhd with an offer value of RM703.25 million and a selective capital reduction and repayment exercise by Damansara Holdings Bhd (DBHD) with an offer value of RM43.25 million. The proposed privatisation of DBHD is JLand Group Sdn Bhd's (formerly known as Absolute Ambient Sdn Bhd) second offer as their earlier unconditional mandatory take-over offer in 2021 did not receive the required level of acceptances to compulsorily acquire the remaining shares in DBHD.

The 4 applications for exemption from the mandatory offer obligation comprised 3 applications pursuant to whitewash exemptions and 1 application in relation to the transfer of shares in an upstream entity between an individual and his close relative.

Of the 2 other applications considered by the SC, 1 application is in relation to the exemption from complying with Note 7(a) to paragraph 6.03 of the Rules in relation to the basis of determining the offer price for a proposed take-over offer of a listed downstream company while the other application is in relation to the extension of time sought to submit and to dispatch an independent advice circular.

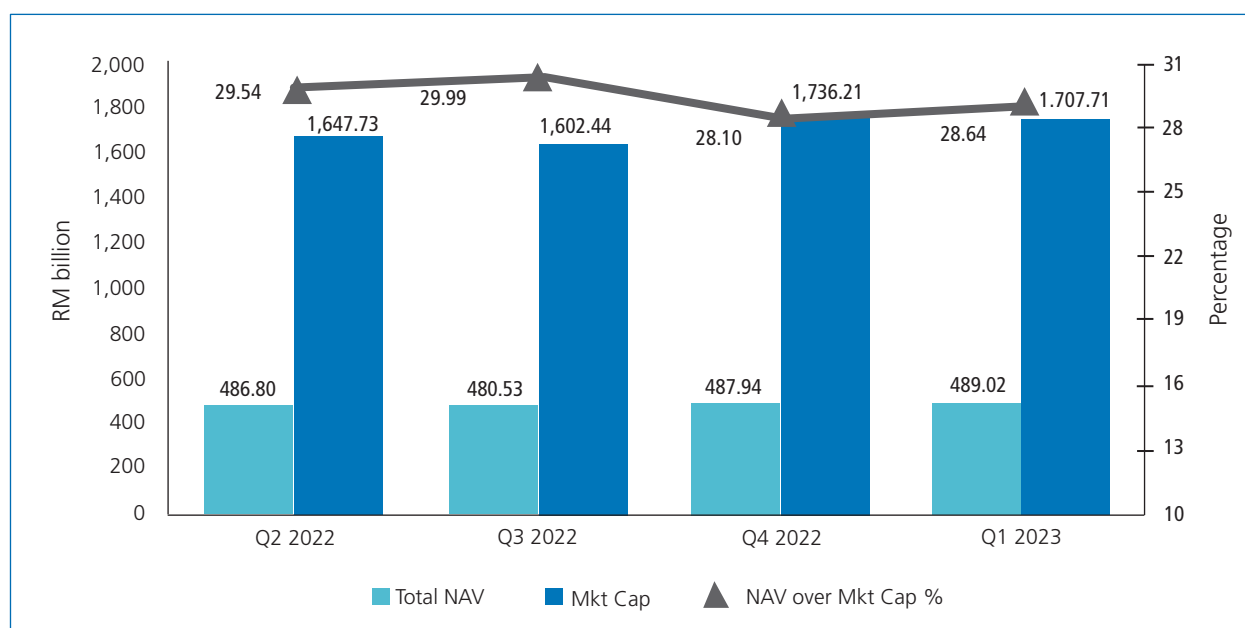
UNIT TRUST FUNDS

NAV of unit trust industry and Bursa Malaysia market capitalisation

In Q1 2023, the NAV of unit trust funds increased from RM487.94 billion as at 31 December 2022 to RM489.02 billion as at 31 March 2023. The percentage of the total NAV against Bursa Securities market capitalisation has increased from 28.10% as at 31 December 2022 to 28.64% as at 31 March 2023.

Chart 3

NAV of unit trust industry and Bursa Malaysia market capitalisation



New funds

A total of 7 unit trust funds were launched while 9 funds were terminated², which brought the total number of funds in operation to 757 funds as at 31 March 2023. Of the 7 new funds launched, 2 each were from the mixed asset category, feeder category and fixed income/bond/sukuk/debenture category and 1 from the equity category.

As at 31 March 2023, the number of management companies approved to offer unit trust funds was 38.

² 6 funds wound-up voluntarily pursuant to unitholders' approval as it's no longer economically viable, 2 funds reached their maturity and 1 fund had no assets/unitholders.

Table 1

Fund category	NAV (RM billion)	%
Mixed asset	241.24	49.33
Equity	110.09	22.51
Money market	59.33	12.13
Fixed income/Bond/Sukuk/Debenture	52.00	10.64
Feeder	10.80	2.21
Balanced	6.95	1.42
Fund of funds	3.81	0.78
Others	4.80	0.98
TOTAL	489.02	100.00

OTHER COLLECTIVE INVESTMENT SCHEMES

Wholesale funds

As at 31 March 2023, there were 448 wholesale funds in operation with a total NAV of RM75.01 billion. A total of 13 new wholesale funds were launched while 2 wholesale funds were terminated³ in Q1 2023.

Real estate investment trusts

As at 31 March 2023, there were 19 REITs listed on the Main Market of Bursa Securities. Five REITs, namely Axis REIT, Al-Aqar Healthcare REIT, Al-Salam REIT, KLCC REIT and AME REIT are Shariah-compliant.

A total of 1 REIT, i.e. KLCC REIT, was listed as part of a stapled security group. The market capitalisation of the listed REITs (including market capitalisation on the stapled group) was RM41.20 billion as at 31 March 2023.

Exchange-traded funds

As at 31 March 2023, a total of 19 ETFs were listed on the Main Market of Bursa Securities. A total of 6 ETFs were Shariah-compliant, i.e. MyETF Dow Jones Islamic Market Malaysia Titans 25, MyETF MSCI Malaysia Islamic Dividend, MyETF MSCI SEA Islamic Dividend, MyETF Dow Jones U.S. Titans 50, TradePlus Shariah Gold Tracker and VP-DJ Shariah China A-Shares 100 ETF.

The market capitalisation of the listed ETFs was RM2.18 billion as at 31 March 2023.

Closed-end funds

As at 31 March 2023, a total of 1 closed-end fund (CEF) was listed, i.e. icapital.biz Bhd. The market capitalisation of this fund was RM0.27 billion.

PRIVATE RETIREMENT SCHEMES

There were 13 private retirement schemes (PRS) comprising 75 private retirement funds offered by 9 providers as at 31 March 2023, with a total NAV of RM5.62 billion. There were 40 conventional funds and 35 shariah-compliant funds. Of the total NAV, conventional funds accounted for 67.62% while Shariah-compliant funds accounted for the remaining 32.38%.

INVESTMENT PRODUCTS

Structured warrants

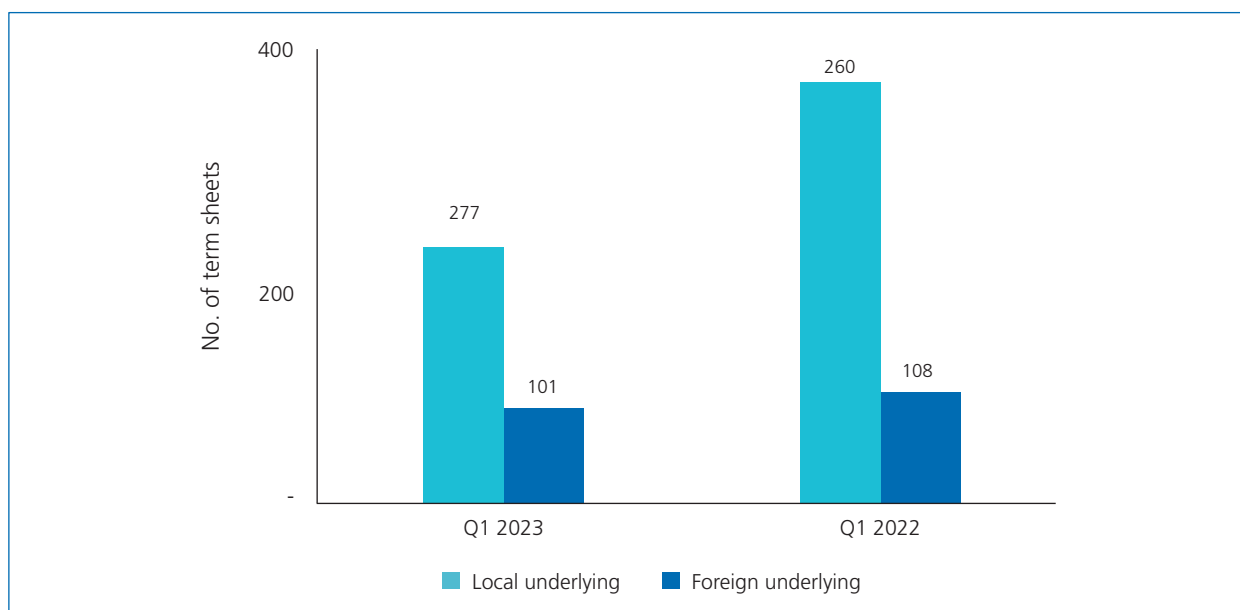
The SC registered a total of 4 supplementary base prospectus and 378 term sheets in Q1 2023. There were 7 eligible issuers of structured warrants in Q1 2023 (Q1 2022: 6).

In Q1 2023, the SC registered 101 term sheets with foreign underlying assets, such as shares or units in an ETF listed on a securities exchange outside Malaysia or an index based on a securities exchange outside Malaysia. The foreign underlying assets comprise shares in companies or units of ETF listed on the Hong Kong Stock Exchange as well as structured warrants over the Hang Seng Index, S&P 500 Index and Nasdaq-100 Index. A total of 277 term sheets with local underlying assets were registered in Q1 2023, representing an increase of 7% from Q1 2022.

As at 31 March 2023, the number of structured warrants term sheets referencing to shares increased by 5% (Q1 2023: 315 term sheets, Q1 2022: 299 term sheets), while structured warrants term sheets referencing to index reduced by 8% (Q1 2023: 60 term sheets, Q1 2022: 65 term sheets).

Chart 4

Structured warrants term sheets registered by listing domicile of underlying



³ 2 funds wound-up as it's no longer economically viable

Structured products

In February 2023, CGS-CIMB Securities Sdn Bhd became the first 1+1 broker registered with the SC as a structured product issuer.

In Q1 2023, a total of 3 issuers, including CGS-CIMB Securities Sdn Bhd, lodged 4 new structured product programmes with the SC under the LOLA Framework for unlisted capital market products. These programmes comprised a variety of underlying references and had an aggregate size of RM20 billion. Table 2 below shows the details on structured product programmes as at 31 March 2023.

Table 2

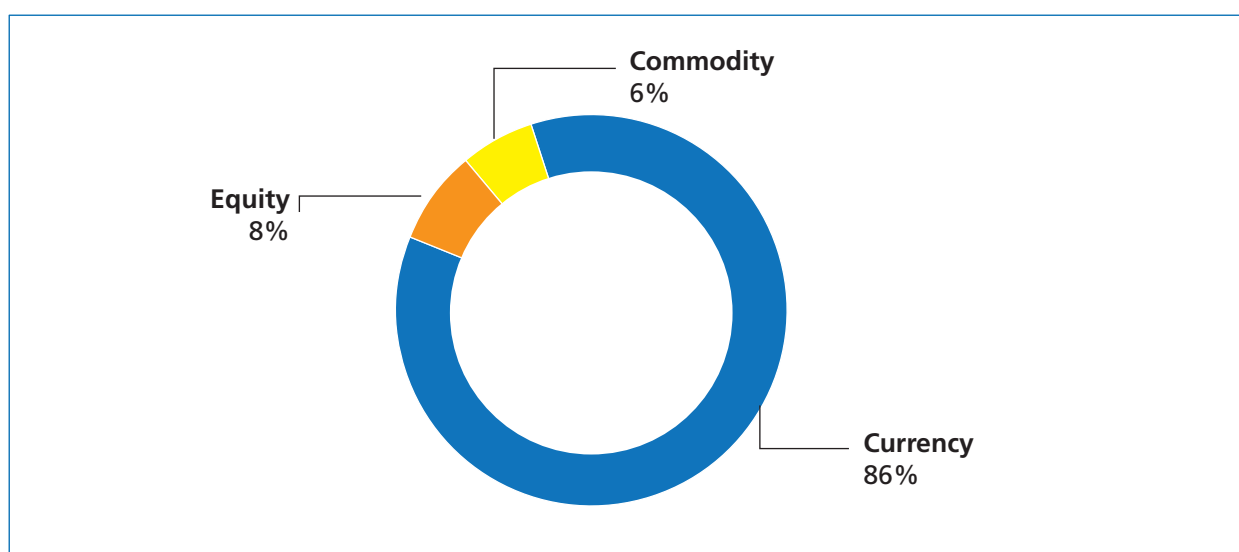
Structured product programmes

New programmes lodged	Q1 2023		2022	
	Number of programmes	Size (RM billion)	Number of programmes	Size (RM billion)
Principle				
– Conventional	4	20	20	100
– Islamic	-	-	2	10
TOTAL	4	20	22	110

Structured products series

Chart 5

Breakdown of structured products issuance by asset class as at 31 March 2023



As at 31 March 2023, the main category of structured products' investors comprises HNWIs whose investment accounted for 94% of the total structured product issuance size.

HIGHLIGHTS

- In Q1 2023, the FBMKLCI Index ended lower by 4.87% or -72.90 points to 1,422.59 points, however the market remained neutral.
- Pursuant to the SC's announcement on 31 October 2022 regarding the opening of applications for entities to be registered as an RMO, the SC had received a total of 12 applications as at end of March 2023.
- The SC issued 5 new CMSL and 226 applications for new CMSRL from 1 January 2023 till 31 March 2023.

DOMESTIC EQUITY MARKET PERFORMANCE

The FBMKLCI Index ended Q1 2023 lower by 4.87% or -72.90 points to 1,422.59 points. The market remained neutral post retabling of the Budget, while investors' attention shifted towards domestic corporate earnings releases and related analyst coverage and recommendations in Q4 2022.

Among the FBMKLCI constituents, banking heavyweights Public Bank (-6.26%) and CIMB Group (-6.20%) led losses, tracking selling activities on banking stocks globally driven by rising fears of a potential banking crisis in the US and Europe as well as contagion concerns. However, the volatility subsequently subsided due to swift regulatory interventions by the central banks to prevent potential spill overs. BNM highlighted that domestic financial market conditions remained orderly, and that the Malaysian banking system remains resilient, with ample capacity to absorb losses under severe simulated downside scenarios. Separately, Petronas Chemicals Group (-15.91%) emerged among the top laggards following a contraction in its quarterly net profit for the financial year of Q4 2022. As a result, analysts downgraded the company's 2023 earnings outlook and target share price, citing unfavourable product spreads as well as possible increase in input and production costs, among others.

Across market sectors, most ended higher with Energy (+7.81%) recording the largest gains while Industrial Products (-5.89%) underperformed. Large and small cap indices (Mid 70: +3.82%, Small Cap: +2.25%) outperformed their lower liner counterparts (Fledgling: -3.41%, ACE: -1.54%). In terms of trading activity, the average daily traded value grew by 8.89% q-o-q to RM2.28 billion, while the average daily traded volume rose by 17.99% q-o-q to 3.69 billion shares.

DOMESTIC EQUITY MARKET OUTLOOK

Analysts, regulators, and rating agencies believe the recent banking crisis in the US and Europe has minimal impact on Asian banks including Malaysia, as banks' credit fundamentals remained robust and resilient supported by strong regulatory supervision to withstand heightened volatility in global financial markets. Analysts continued to maintain a positive outlook on the domestic banking sector driven by higher non-interest income growth in 2023, recovery in economic activity and domestic consumption. Equity market may remain volatile in the near term as investors continue to monitor ongoing developments surrounding the global banking industry. Nonetheless moving into Q2 2023, market sentiment is expected to improve, supported by favourable macroeconomic environment, corporate earnings growth and tail-end of interest rate tightening cycle.

LICENSING

The SC had issued 5 new CMSL and 226 applications for new CMSRL from 1 January 2023 till 31 March 2023.

The number of CMSL and CMSRL holders are provided in Table 1 and Table 2 respectively. Statistics on the status of license applications and its processing turnaround time during Q1 2023 are provided in Table 10 and 11 in the performance scorecard respectively.

Table 1

Total number of CMSL holders as at 31 March 2023

By core activity	CMSL
Dealing in securities ¹	38
Dealing in derivatives	5
Fund management	110
Advising on corporate finance	41
Investment advice	17
Investment advice (individual)	1
Financial planning	35
Financial planning (individual)	2
TOTAL	249

Table 2

Total number of CMSRL holders as at 31 March 2023

By core activity	CMSRL
Dealing in securities	6,523
Dealing in derivatives	472
Fund management	841
Advising on corporate finance	748
Investment advice	308
Financial planning	1,454
TOTAL	10,346

Registration

The SC had issued 2 new registrations for private equity management corporation during this period and 1 new registration for venture capital management corporation.

¹ Includes 5 CMSLs for dealing in securities restricted to unit trust and 1 dealing in securities restricted to listed securities.

CRIMINAL PROSECUTIONS AND APPEALS

As at 31 March 2023, there are 8 ongoing criminal trials at the Sessions Court for various offences in relation to securities laws. The offences include market manipulation, unlicensed activities, securities fraud and money laundering. As for criminal appeals, there are 11 ongoing appeals at the High Court and the Court of Appeal.

The highlights of the criminal cases for Q1 2023 are summarised in the table below:

No.	Nature of offence	Offender(s)	Outcome
1.	s.84(1) of the <i>Securities Industry Act 1983</i> (SIA)	Repco • Low Thiam Hock (Low)	<p>On 17 February 2023, the High Court dismissed Low's appeal against conviction and affirmed the finding of guilt by the Sessions Court.</p> <p>The High Court however allowed Low's appeal against sentence in part, whereby the court reduced the sentence of imprisonment from five years to one year but maintained the fine of RM5 million handed down by the Sessions Court in 2016.</p> <p>Following the judgment, the High Court further granted a stay of execution of the sentence of both the imprisonment term and fine pending the disposal of Low's appeal to the Court of Appeal.</p> <p>On 21 February 2023, Low filed an appeal against the decision of the High Court. On the same day, the Prosecution filed an appeal against the High Court's decision in reducing the imprisonment term.</p>
2.	s.179(b) of the CMSA	Charles Chua Yi Fuan (Charles)	<p>On 29 March 2023, Charles pleaded guilty to one charge under s.179(b) CMSA and the court took into consideration the remaining 16 charges under the same section pursuant to s.171A of the <i>Criminal Procedure Code</i> (CPC).</p> <p>Charles was sentenced to three years imprisonment and a fine of RM1 million in default 12 months imprisonment.</p>
3.	<ul style="list-style-type: none"> s.4(1)(a) <i>Anti Money-Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001</i> (AMLATFPUAA) s.4(1)(b) rtw s.87(1)(a) AMLATFPUAA s.4(1)(b) AMLATFPUAA 	Tan Soon Hin and Teh An See	<p>Tan and Teh were charged separately in court on 11 November 2022.</p> <p>The cases against Tan and Teh have been joined pursuant to an application by the Prosecution on 28 February 2023.</p>
4.	<ul style="list-style-type: none"> s.4(1)(b) rtw s.87(1)(a) AMLATFPUAA s.4(1)(b) AMLATFPUAA 	Muhamad Afiq bin Md Isa (Afiq) and Natasha binti Mohamed Taufek (Natasha)	<p>Afiq and Natasha were charged separately in court on 10 and 11 November 2022.</p> <p>On 16 January 2023, the Court ordered Afiq and Natasha to be jointly tried.</p>

CIVIL ACTIONS

As at 31 March 2023, there are 10 ongoing civil cases at the High Court, Court of Appeal & Federal Court. No civil suits were filed by the SC in Q1 2023.

The highlights of PCE's civil cases for Q1 2023 are summarised in the table below:

No.	Breach	Defendant(s)	Outcome
1.	<ul style="list-style-type: none"> s.179 CMSA s.317A CMSA s.370 CMSA 	Nexgram Holdings Bhd, R&A Telecommunication Group Bhd, Asdion Bhd, Ire-TeX Corporation Bhd <ul style="list-style-type: none"> Tey Por Yee (Tey); Lim Chye Guan (Lim); See Poh Yee (See); Francis Tan Hock Leong (Tan); and Faizatul Ikmi Abd Razak (Faizatul) 	<p>On 29 November 2022, the SC filed a civil suit against Tey, Lim, See, Tan and Faizatul for breaches under sections 179, 317A and 370 of the CMSA.</p> <p>On 9 December 2022, Tey, Lim, See and Faizatul entered their appearances.</p> <p>On 13 February 2023, Tey, Lim, See and Faizatul filed their Statement of Defence.</p> <p><u>Recusal Application</u> On 21 February 2023, Tey, Lim, See and Faizatul filed their application to recuse YA Liza Chan Sow Keng be recused from the proceedings.</p> <p>On 8 March 2023, the SC filed its Affidavit in Reply to oppose the recusal application.</p> <p>The decision on the recusal application is fixed on 20 April 2023.</p>
2.	<ul style="list-style-type: none"> s. 188(2) CMSA s. 188(3) CMSA 	WCT Bhd <ul style="list-style-type: none"> SC v Goh Chin Liong (Goh); and Leong Ah Chai (Leong) 	<p>On 22 December 2022, after a full trial, the Kuala Lumpur High Court declared that the SC had successfully proven its claim against Goh and Leong.</p> <p><u>Appeal</u> On 17 January 2023, both Defendants/Appellants filed notices of appeal against the Judgment to the Court of Appeal. The new case management date is fixed on 20 June 2023 pending the obtainment of the grounds of judgment.</p> <p><u>Stay of Execution</u> On 22 February 2023, the Appellants filed applications to stay the execution of the Judgment. Hearing is fixed on 25 July 2023.</p> <p><u>Cross-appeal by SC</u> On 21 March 2023, the Appellants served the Record of Appeal to the SC, following which the SC has filed a notice of cross-appeal against both Appellants.</p>

REGULATORY SETTLEMENTS

The following individuals entered into regulatory settlements with the SC in Q1 2023 following letters of demand issued by the SC:

Date Settlement Entered	POI (s)	Breach	Details of Settlement
20 March 2023	Datuk Chung Hon Cheong (Datuk Chung)	Insider trading [s.188(2)(b) and s.188(3)(b) CMSA]	<p>Datuk Chung entered into a regulatory settlement with the SC in the sum of RM508,408.02 when he agreed without admission or denial of liability, to settle a claim that the SC had issued to him via a letter of demand on 27 February 2023 for an insider trading breach pursuant to s.188(3)(a) of the CMSA.</p> <p>The sum Datuk Chung was required to disgorge is equivalent to 3 times the theoretical profit made by Ahilan Sumander S.L.Thevar when he traded in Integrax shares following the communication of the inside information from Datuk Chung to Si Tho Yoke Meng relating to the privatisation of Integrax Bhd.</p>
20 March 2023	Si Tho Yoke Meng (Si Tho)	s.188(2)(b) CMSA	<p>Si Tho entered into a regulatory settlement with the SC in the sum of RM508,408.02 when he agreed without admission or denial of liability, to settle a claim that the SC was proposing to institute against him for an insider trading breach pursuant to s.188(2)(b) of the CMSA.</p> <p>The sum Si Tho was required to disgorge is equivalent to 3 times the theoretical profit made by Ahilan Sumander S.L.Thevar when he traded in the impugned Integrax shares.</p>
22 March 2023	Ahilan Sumander S.L. Thevar (Ahilan)	s.188(2)(b) CMSA	<p>Ahilan entered into a regulatory settlement with the SC in the sum of RM508,408.02 when he agreed without admission or denial of liability, to settle a claim that the SC was proposing to institute against him for an insider trading breach pursuant to s.188(2)(b) of the CMSA.</p> <p>The sum Ahilan was required to disgorge is equivalent to 3 times the theoretical profit made by him when he traded in the impugned Integrax shares.</p>

SERVICE DELIVERY – PERFORMANCE SCORECARD

SC Scorecard and Statistics of Submissions Approved by the SC in Q1 2023

A. Corporate Submissions to the SC

Table 1

Status of substantive applications as at 31 March 2023

Applications	Equities	Corporate bonds and sukuk	Total
Balance brought forward from Q4 2022	7	-	7
Add: Applications Received/Lodged in Q1 2023	5	14	19
Total applications	12	14	26
Less: Applications Considered/Lodged in Q1 2023	(3)	(14)	(17)
Less: Applications Withdrawn in Q1 2023	(1)	-	(1)
Balance carried forward to Q2 2023	8	-	8

Table 2

Substantive applications considered/withdrawn/lodged in Q1 2023

Type of applications	Considered			Withdrawn	Lodged	Total
	Approved	Not approved	Returned			
IPO – Main Market	-	-	-	-	-	-
Acquisition, reverse take-overs and back-door listings	-	-	-	-	-	-
Transfer from ACE Market to Main Market	3	-	-	1	-	4
Corporate bonds and sukuk	-	-	-	-	14	14
TOTAL	3	-	-	1	14	18

Table 3

Processing turnaround time for substantive applications considered in Q1 2023

Total Substantive Applications	Approved	Lapsed	Rejected	Processing Time	Time Charter*	
3	3	-	-	4 – 5 months	Within	Exceed
					100%	-

Note:

* Based on number of queries issued.

Time charter for substantive application:

- (i) first round of query raised within 10 MDs from receipt of complete submission; and
- (ii) subsequent queries raised within 5 MDs from receipt of complete replies.

B. Corporate Applications Approved by the SC – Q1 2023

(i) Applications approved/lodged

Table 4

Number of applications approved/lodged

Type of applications	No. of applications approved/lodged		
	Q1 2023	Q4 2022	Q1 2022
IPO – Main Market	-	4	-
Acquisition, reverse take-overs and back-door listings	-	1	-
Transfers from ACE Market to Main Market	3	3	1
Corporate bonds and sukuk	14	19	13
TOTAL	17	27	14

(ii) Corporate bonds and sukuk

Table 5

Approved/lodged ringgit-denominated issues

Type	Q1 2023		Q4 2022		Q1 2022	
	No. of issues	Size (RM mil)	No. of issues	Size (RM mil)	No. of issues	Size (RM mil)
Conventional bonds	4	3,586.50	6	2,564.48	3	1,030.00
Sukuk	10	27,080.00	11	79,700.00	9	24,149.00
Combination ⁽¹⁾	-	-	2	20,000.00	-	-
TOTAL	14	30,666.50	19	102,264.48	12	25,179.00

Note:

⁽¹⁾ Combination of sukuk and conventional bonds.

Table 6

Approved/lodged foreign currency-denominated issues by foreign corporations

Type	Q1 2023		Q4 2022		Q1 2022	
	No. of issues	Size (US\$ mil)	No. of issues	Size (US\$ mil)	No. of issues	Size (US\$ mil)
Conventional bonds	-	-	-	-	1	3,000.00
Sukuk	-	-	-	-	-	-
Combination ⁽¹⁾	-	-	-	-	-	-
TOTAL	-	-	-	-	1	3,000.00

Note:

⁽¹⁾ Combination of sukuk and conventional bonds.

Table 7

Approved/ lodged foreign currency-denominated issues by Malaysian issuers

Type	Q1 2023		Q4 2022		Q1 2022	
	No. of issues	Size (JPY mil)	No. of issues	Size (JPY mil)	No. of issues	Size (JPY mil)
Conventional bonds	-	-	-	-	-	-
Sukuk	-	-	-	-	-	-
Combinations ⁽¹⁾	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

Note:

⁽¹⁾ Combination of sukuk and conventional bonds.

(iii) Take-overs and Mergers

Table 8

Number of submissions considered in relation to take-overs, mergers, and compulsory acquisitions

Type	Number of applications considered		
	Q1 2023	Q4 2022	Q1 2022
Clearance of offer/scheme documents¹	2	8	4
• Offers	1	8	2
• Schemes	1	0	2
Total offer/scheme value	RM0.75 billion	RM1.13 billion	RM0.24 billion
Clearance of independent advice circulars	1	12	4
• Offers/schemes	1	9	4
• Whitewash exemptions	0	3	0
Clearance of circulars for whitewash exemption[#]	-	1	-
Applications for exemption from mandatory offer obligation	4	1	4
• Whitewash exemptions	3	1	2
• Others	1	0	2
Other applications²	2	3	7
TOTAL APPLICATIONS CONSIDERED	9	25	19

Note:

¹ Including documents relating to schemes for control and compensation scheme documents, where applicable.

² Refers to all other applications under the CMSA, the Code and Rules.

[#] Pursuant to the revised Rules on 28 December 2021, circulars for whitewash exemption must be submitted to the SC for its comments and clearance on the contents relating to the whitewash exemption.

(iv) CIS, PRS and Foreign ASEAN CIS

Table 9

Number of applications approved relating to unit trusts, CIS, PRS and Foreign ASEAN CIS

Type	Number of applications approved		
	Q1 2023	Q4 2022	Q1 2022
Establishment of new CIS	5	9	9
Establishment of retirement funds	0	1	3
Exemption/variation from Guidelines ¹	1	1	0
Other applications	4 ²	7	13
TOTAL	10	18	25

Note:

¹ Excludes applications submitted together with the establishment of new schemes.

² Includes applications in relation to online activities, extension of time, increase in approved fund size and qualification as a SRI fund.

C. Licensing

Table 10

Status of licensing applications in Q1 2023

New licence application	Brought forward from Q2 2022	Received	Withdrawn	Returned	Considered / pending consideration	Approved	Rejected	Pending
Representative	51	232	2	9	272	226	-	46
Corporation	18	-	-	1	17	5	-	12
TOTAL	69	232	2	10	289	231	-	58

Table 11

Processing turnaround time for licensing applications in Q1 2023

New licence application	Within time charter		Exceeds time charter		Subtotal	Exception ¹	Total approved
	Total	%	Total	%		Total	
Representative	225	100	0	0	225	1	226
Corporation	5	100	0	0	5	0	5
TOTAL	230	100	0	0	230	1	231

Note:

¹ This refers to an application which required exception handling, where further assessment and engagement were required due to issues related to the applicant's fit and properness.

Securities Commission Malaysia
3 Persiaran Bukit Kiara Bukit Kiara 50490
Kuala Lumpur Malaysia
Tel: 603-6204 8000 Fax: 603-6204 1818
Websites: www.sc.com.my www.investsmartsc.my