

# STATEMENT ON GOVERNANCE

The Securities Commission Malaysia (SC) is a statutory body established under the *Securities Commission Malaysia Act 1993* (SCMA) to regulate and develop the Malaysian capital market. The SC's mission is to promote and maintain fair, efficient, and transparent securities and derivatives markets and to facilitate the orderly development of an innovative and competitive capital market. It is committed to ensure investor protection, fair and orderly markets, and monitor, mitigate and manage systemic risks arising from the capital market. The SC's responsibilities, powers, and authorities are clearly defined and transparently set out in securities laws, namely the SCMA, CMSA, and *Securities Industry (Central Depositories) Act 1991* (SICDA).

## ABOUT THE COMMISSION

### Board Members

The Board is responsible for the overall governance of the Commission. The Minister of Finance appoints Board members. The Board comprises a Chairman, a Deputy Chief Executive, and up to 7 other members who may include persons representing the government and private sector. The Chairman is entrusted with the day-to-day administration of the SC as provided by section 4B(1) of the SCMA.

Datuk Syed Zaid Albar assumed the position of Chairman on 1 November 2018. A profile of Board members is featured on pages 79 to 82 and their involvement in the various committees established by the Board is provided on page 90.

The Chairman is appointed for a term of 3 years, and is eligible for reappointment upon completion of his or her term. Other Board members are appointed for a term of 2 years, and are eligible for reappointment upon completion of the term.

A person is disqualified from holding the office of a Board member if he or she holds a full time office in any PLC, becomes a member of either Houses of Parliament, or becomes an officer or director of an entity that is regulated by the Commission. Similarly, a Board member shall not hold office if he or she—

- is convicted of a criminal offence involving fraud, dishonesty, corruption or violence;
- is declared a bankrupt;
- is not capable of discharging his or her duties;
- fails to attend 3 consecutive meetings of the Board without leave;
- conducts himself in such a way as to bring disrepute to the Commission;
- fails to disclose his or her interests; or
- becomes involved in any activity which may interfere with his or her independence in discharging his or her functions.

The SCMA requires a Board member to manage conflicts of interest by disclosing his or her interest in any matter under discussion by the Board or any of its committees. Once a disclosure is made, he or she-

- shall neither take part nor be present in any deliberation or decision of the Board or its committees; and
- shall be disregarded for the purposes of constituting quorum of the Board or its committees, relating to the matter.

## Functions of the Commission

The functions of the Commission are:

- To advise the Minister on all matters relating to the capital market;
- To regulate all matters relating to the capital market;
- To ensure that the provisions of the securities laws are complied with;
- To regulate the take-overs and mergers of companies;
- To promote and regulate all matters relating to fund management, including unit trust schemes and PRS;
- To be responsible for supervising and monitoring the activities of any exchange holding company, stock exchange, derivatives exchange clearing house and central depository;
- To take all reasonable measures to maintain the confidence of investors in the capital market by ensuring adequate protection for such investors;
- To promote and encourage proper conduct among participating organisations, participants, affiliates, depository participants, and all licensed or registered persons of an exchange, clearing house, and central depository, as the case may be;
- To suppress illegal, dishonourable, and improper practices in the capital market, and in the provision of investment advice or other services relating to the capital market;
- To consider and make recommendations for the reform of the securities laws;
- To encourage and promote the development of the capital market in Malaysia including research and training in connection thereto;
- To encourage and promote self-regulation by professional associations or market institutions in the capital market;
- To license, register, authorise, approve, and supervise all persons engaging in regulated activities or providing capital market services as may be provided for under the securities laws;
- To promote and maintain the integrity of all licensed persons, registered persons, approved persons, and participants in the capital market;
- To register or recognise all auditors of public-interest entities (PIEs) or schedule funds, and to exercise oversight over any person who prepares a report in relation to financial information of PIEs or schedule funds, in relation to capital market activities;
- To promote confidence in the quality and reliability of audited financial statements in Malaysia, and to promote and develop an effective and robust audit oversight framework in Malaysia;

- To take all reasonable measures to monitor, mitigate, and manage systemic risks arising from the capital market;
- To promote and regulate corporate governance and approved accounting standards of listed corporations; and
- To set and approve standards for professional qualification for the capital market.

The Commission also has the functions and powers conferred upon it by or under the securities laws.

## Board Meetings

Eleven Board meetings were held in 2021. The quorum required is 5. The attendance record is set out in Table 1.

The work of the Board in governing the SC is facilitated by various board committees established under section 18 of the SCMA, as listed in Table 2.

## AUDIT COMMITTEE

The Audit Committee comprises non-executive members of the SC as shown in Table 2, who are appointed by the Board. The purpose, authority, and responsibilities of the Audit Committee are set out in the Audit Committee Charter as approved by the Board. Essentially, the Audit Committee provides oversight of the SC's governance, risk management and internal control practices.

Board members	Number of meetings attended
Datuk Syed Zaid Albar	11/11
Datuk Zainal Izlan Zainal Abidin	11/11
Dato' Gooi Hoe Soon	11/11
Datuk D.P Naban <sup>1</sup>	2/2
Datuk Dr Zunika Mohamed	9/11
Datin Rashidah Mohd Sies	10/11
Lynette Yeow Su-Yin <sup>2</sup>	6/7






<sup>1</sup> Retired from the Board on 14 April 2021.

<sup>2</sup> Appointed to the Board on 11 June 2021.

The Audit Committee has an oversight role over the internal audit activities, including reviewing outcome of audits and approving the *Annual Internal Audit Plan*. The Audit Committee is also responsible for the review of the external auditors' proposed audit scope, approach, and performance, including reviewing all significant matters relating to the financial statements with Management and the external auditors. For the current financial year, the Audit Committee had convened 6 meetings.

Table  
2

## Board Committees

COMMITTEE	KEY RESPONSIBILITY	MEMBERS
<b>1. Audit Committee</b> 	Review effectiveness of the SC's risk management and internal control systems and review the annual financial statements.	<ul style="list-style-type: none"> <li>Dato' Gooi Hoe Soon (Chairman)</li> <li>Datuk D.P Naban<sup>1</sup></li> <li>Datuk Dr Zunika Mohamed</li> <li>Datin Rashidah Mohd Sies</li> <li>Lynette Yeow Su-Yin<sup>2</sup></li> </ul>
<b>2. Issues Committee<sup>3</sup></b> 	Review and decide on primary listings of corporations and business trusts on the Main Market; acquisition of assets which results in a significant change in business direction or policy of a corporation or business trust listed on the Main Market; and secondary or cross listings of foreign corporations or foreign business trusts on the Main Market.	<ul style="list-style-type: none"> <li>Datuk Syed Zaid Albar (Chairman)</li> <li>Datuk Zainal Izlan Zainal Abidin</li> <li>Dato' Gooi Hoe Soon</li> <li>Datuk D.P Naban<sup>1</sup></li> <li>Datin Rashidah Mohd Sies</li> <li>Lynette Yeow Su-Yin<sup>2</sup></li> </ul>
<b>3. Take-overs and Mergers Committee</b> 	Review take-over and merger related applications of a novel and/or complex nature and matters relating to national policy.	<ul style="list-style-type: none"> <li>Datuk Syed Zaid Albar (Chairman)</li> <li>Datuk Zainal Izlan Zainal Abidin</li> <li>Dato' Gooi Hoe Soon</li> <li>Datin Rashidah Mohd Sies</li> <li>Lynette Yeow Su-Yin</li> </ul>
<b>4. Licensing Committee</b> 	Review and decide on applications for the grant of a new Capital Markets Services Licence (CMSL), new licensed representatives, appointments of directors, key management or compliance officers that are submitted together with a new CMSL application; and to consider any policy recommendations relating to licensing issues.	<ul style="list-style-type: none"> <li>Datuk Syed Zaid Albar (Chairman)</li> <li>Datuk Zainal Izlan Zainal Abidin</li> <li>Dato' Gooi Hoe Soon</li> <li>Datuk Dr Zunika Mohamed</li> </ul>
<b>5. Nomination and Remuneration Committee</b> 	Assess and formulate the remuneration of the Chairman and Deputy Chief Executive and make appropriate recommendations to the Minister of Finance.	<ul style="list-style-type: none"> <li>Dato' Gooi Hoe Soon (Chairman)</li> <li>Datuk D.P Naban<sup>1</sup> (Chairman)</li> <li>Datuk Dr Zunika Mohamed</li> <li>Lynette Yeow Su-Yin<sup>2</sup></li> </ul>

<sup>1</sup> Retired from the Board on 14 April 2021.

<sup>2</sup> Appointed to the Board on 11 June 2021.

<sup>3</sup> The Board had on 16 November 2020 approved the consolidation of the Issues Committee and the Managed Investment Schemes Committee.

## SHARIAH ADVISORY COUNCIL

The SAC is mandated to ascertain the application of Shariah principles on any matter relating to the ICM and plays an important role in the development of Malaysia's ICM. It advises the Commission on any Shariah issue relating to the ICM and issues rulings on the ICM which are published for the benefit of the industry.

The 9 SAC members as listed in Table 3, serve for a 3-year period commencing 1 July 2020, as assented by the Yang di-Pertuan Agong under Section 31ZK of the SCMA.

Table 3	Shariah Advisory Council members
<b>SAC members</b>	
1.	Tan Sri Dr Mohd Daud Bakar (Chairman)
2.	Associate Professor Dr Aznan Hasan (Deputy Chairman)
3.	Dr Shamsiah Mohamad
4.	Professor Dr Engku Rabiah Adawiah Engku Ali
5.	Professor Dr Ashraf Md Hashim
6.	Professor Dr Asmadi Mohamed Naim
7.	Associate Professor Dr Mohamed Fairouz Abdul Khir
8.	Professor Dato' Dr Mohd Azmi Omar
9.	Dr Zaharuddin Abdul Rahman

## AUDIT OVERSIGHT BOARD

The AOB was established under Part IIIA of the SCMA and its mandate is to assist the SC in discharging its regulatory function in respect of developing an effective audit oversight framework, promoting confidence in the quality and reliability of audited financial statements, and regulating auditors of PIEs and scheduled funds.

The AOB also exercises oversight over any person who prepares a report relating to the financial information of PIEs and schedule funds, in relation to capital market activities. The AOB members are appointed by the Board (Table 4).

Table 4	Audit Oversight Board members
<b>AOB members</b>	
1.	Dato' Anantham Kasinather (Non-Executive Chairman)
2.	Alex Ooi Thiam Poh (Executive Officer)
3.	Salmah Bee Mohd Mydin
4.	Hew Ee-Lu
5.	Datuk Nor Azimah Abdul Aziz
6.	Dato' Darawati Hussain
7.	Dato' Seri Ahmad Johan Mohammad Raslan

## RISK MANAGEMENT AND INTERNAL CONTROLS

The SC continues to be committed in maintaining strong risk management and internal control, which is an integral component of its governance arrangement. The SC's internal risk management and control systems are designed to provide a framework to monitor and mitigate known and emerging risks that may impact its ability in achieving strategic and operational goals.

The SC regards the continuous enhancements of its internal risk management and control systems as a high priority. A robust risk management and internal control environment will improve the SC's operational agility, promotes risk transparency, and enhances risk and control accountability.

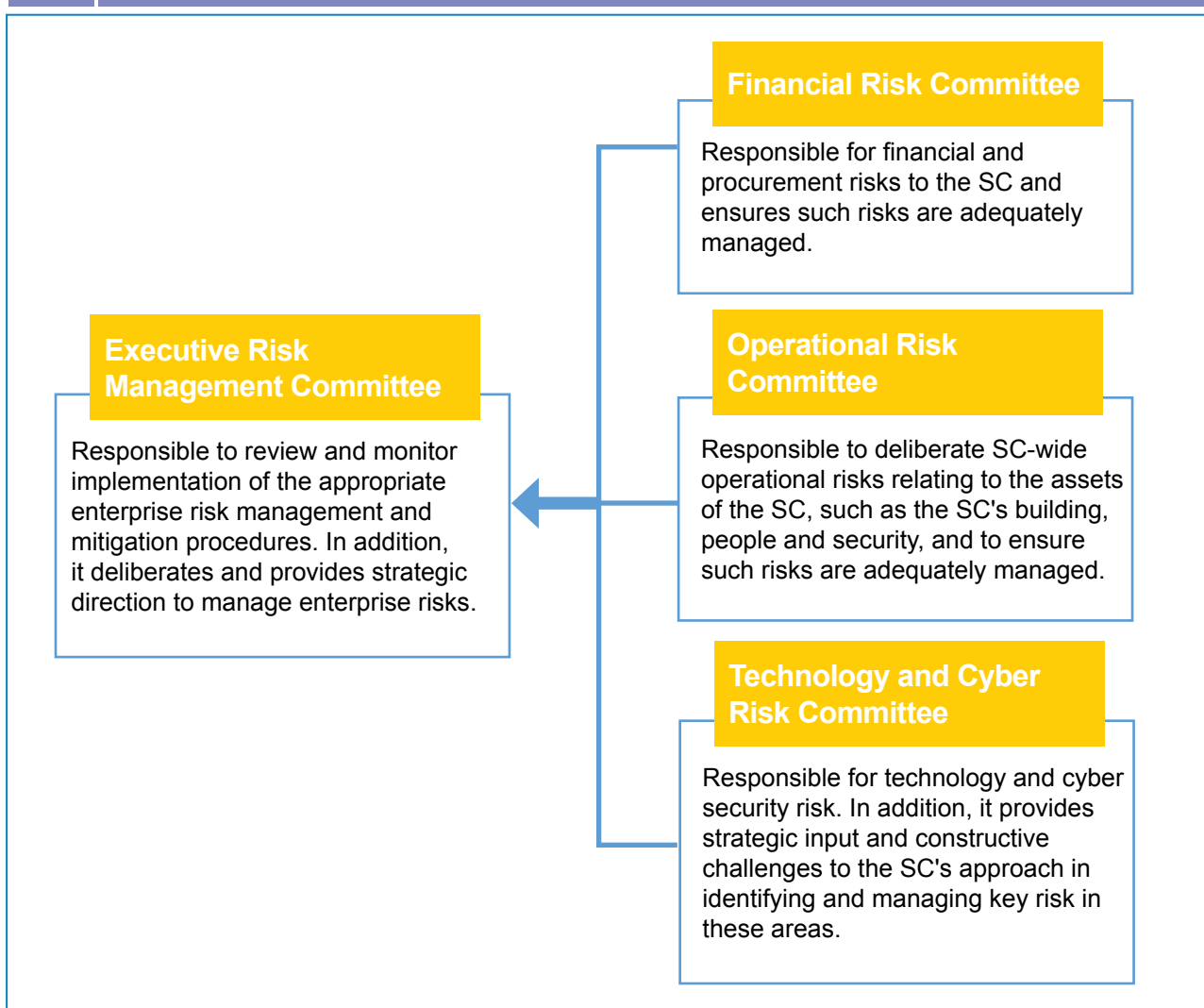
## Risk Management

The SC has established various measures to manage and mitigate possible risks associated with its operations. The Board is responsible for reviewing and adopting appropriate systems and controls to manage the enterprise risks of the SC. The Audit Committee, on behalf of the Board, provides an independent assessment of the effectiveness of the Enterprise Risk Management (ERM) framework.

The SC continuously reviews and enhances its risk management governance structure and framework. In 2021, the respective operational, conduct, and technology risk frameworks across the organisation were enhanced and implemented. A dedicated Executive Risk Management Committee (ERMC) has been

Figure  
1

The SC's Risk Governance Structure



established to look into internal organisation risks. Previously, this role was undertaken by the SC's SROC. The ERMC will have oversight of risk management strategies and processes within business functions as well as business continuity arrangements.

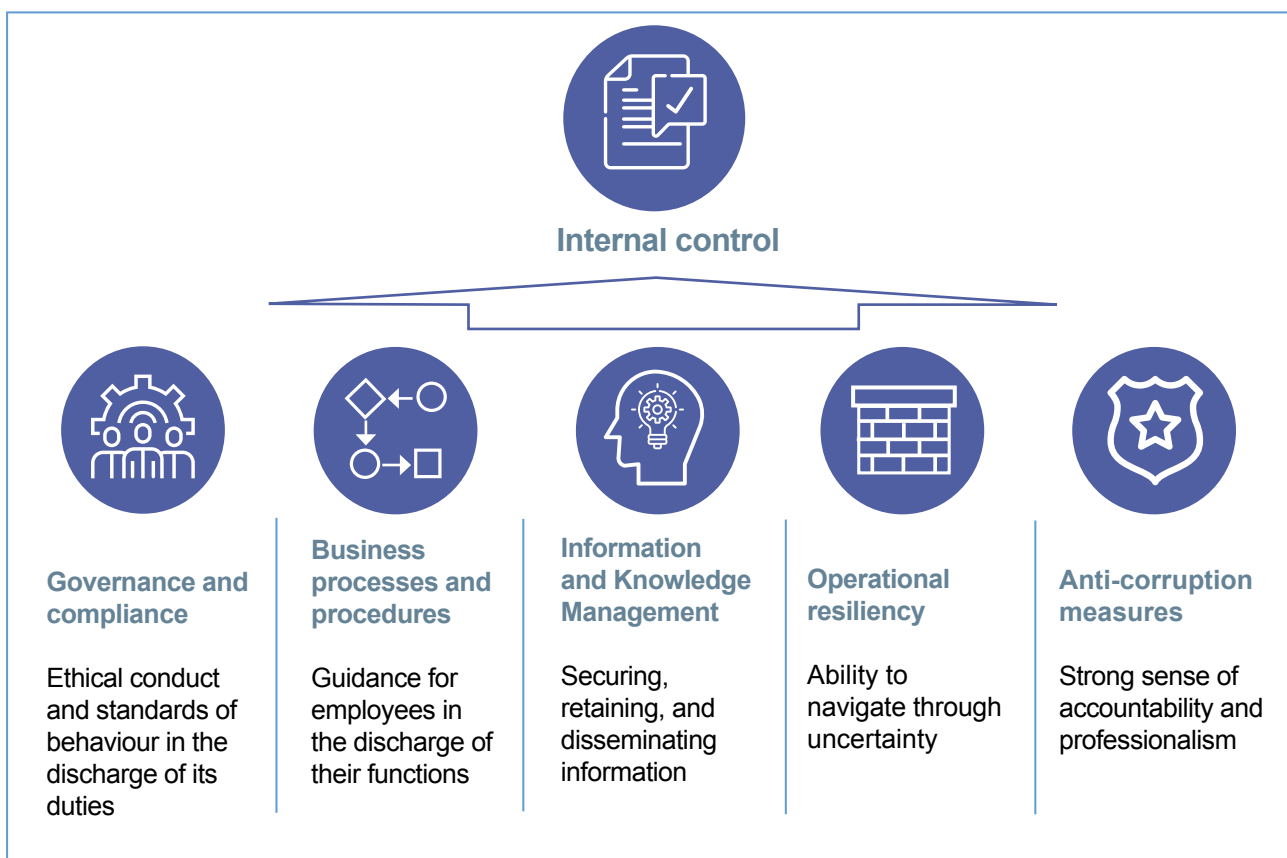
## INTERNAL CONTROLS

As the SC's structure and functions grow in complexity, the importance of having good internal controls is critical. The SC has set up a suite of internal control measures in the form of policies and procedures covering operational matters including governance, staffing, procurement, operation resiliency, data protection, and risk management to provide assurance on the effectiveness of control environment (Figure 2).

## Governance and Compliance

- A *Code of Conduct for Members of the Board* sets out the governance expectations required of Board Members in the discharge of their duties.
- A *Code of Conduct for SC employees* outlines the expectations required of employees during their tenure with the SC including ethical conduct and standards of behaviour.
- The statement of the SC's *Principles and Standards* facilitates efficient and ethical engagement between the SC and its external stakeholders, including suppliers, contractors, vendors, and consultants are governed by ethical principles,

Figure 2  
Internal Control Thrusts



transparent, and avoid potential conflict of interest. In this regard, the SC adopts a zero tolerance policy on all forms of corruption, and any allegation of corrupt practice by employees of the SC, and agents of external stakeholders doing work for the SC will be taken seriously.

- The SC has established a feedback channel for employees and agents to raise concerns on employee misconduct, including the Internal Whistleblowing Procedure to expose or report internal wrongdoing or suspected breaches of law within the organisation.
- The Framework for Handling External Complaints Against the SC Employees presents the process for handling complaints made by external parties against any employee of the SC in relation to the discharge of his duties.
- A robust Conflict of Interest Declaration process has been put in place where Board members and employees are required to comply with, when faced with a perceived, potential or real conflict of interest situation.
- The *Compliance Management Guidelines* provide a structured approach to ensure compliance with the laws, regulations, and internal governance standards, which has an impact on the day-to-day operations of the SC.
- The Compliance and Ethics programme, an interactive e-learning tool, aims to help the SC's employees understand the principles of the SC's internal governance standards. These modules reaffirm the importance of maintaining high standards of ethics, values, and behaviour that the SC and its employees must continue to be associated with. In 2021, the biennial mandatory programme was updated to incorporate enhancements made to its internal governance standards (e.g. *Code of Conduct*, *Data Loss Mitigation Guidelines*, etc.) over the last 2 years.

## Business Processes and Procedures

- The SC facilitates employees' understanding of its operations by making the Business Process Flows and other relevant business process guidance accessible on the SC's intranet. The business process flows and guidance documents are reviewed annually by the respective business process owners.
- The *Procurement Policy and Guidelines* were established to ensure fair, transparent, and orderly sourcing and acquisition of goods and services by the SC. It includes a procurement strategy outlining proper guidance on the end-to-end procurement process as well as the reinforcement of good procurement governance and control. Controls are also put in place to mitigate and prevent potential corrupt practices.
- The *Asset Management Policy and Guidelines* ensure that the SC's assets provided to employees to enable them to discharge their functions are safeguarded and maintained in good working condition.

## Information and Knowledge Management

- The *Authorisation for Disclosure of Information Policy* governs the release of material non-public information to third parties. Requests for disclosure of such information will be referred to a committee consisting of the SC's senior management for decision.
- The *Data Loss Mitigation Guidelines* act as a reference point for employees when handling physical and electronic records containing sensitive information. The Guidelines ensure sensitive information is appropriately secured from unauthorised disclosure and protected from alteration, corruption, loss, or misuse. The SC continuously reviews the Guidelines, taking into account changes in the working arrangements at the SC and the industry.



Updates this year include new rules relating to online and social media communication as well as strengthened controls for sharing of documents via emails and messaging platforms with external parties.

- The *Records Management Policy* was established to give clear guidance to employees on the classification of documents in order to maintain confidentiality of the said documents and provide clarity on permissible disclosures.

## Operational Resilience

- The SC has a Business Continuity Framework, aligned with the ISO 22301: 2019 Security and Resilience – Business Continuity Management System (BCMS) requirements. Continuous efforts are undertaken to ensure minimal operational disruption caused by COVID-19 including working towards a table-top exercise simulation for departments and return-to-office arrangements for the SC's employees.
- In light of COVID-19 and to ensure operational resiliency, the SC has established a dedicated COVID team to monitor COVID positive incidences, review precautionary measures, and take a proactive approach to anticipate, respond, and manage emerging COVID risks.
- *IT User Policy* is periodically reviewed to monitor and assess technology risks to ensure that the SC's IT system is adequately protected against malware, unauthorised access, insider threats, and other disruptions which may affect its operations.

## Anti-Corruption Measures

- The SC established its own Anti-Corruption Committee (JAR – Jawatankuasa Anti-Rasuah) in 2019, demonstrating its commitment in supporting the Government's fight against corruption. Chaired by the SC Chairman, the SC JAR serves as a high-level management platform

focused on addressing organisational issues pertaining to governance and integrity, while overseeing the implementation of all its initiatives under the *National Anti-Corruption Plan* (NACP).

- As a public institution, the SC is fully committed to provide an environment that promotes a strong sense of accountability and professionalism among its employees. In line with the requirements of the NACP, the SC has established its own *Organisational Anti-Corruption Plan* (OACP) with the strategic objective of strengthening the SC's governance, integrity, and anti-corruption measures. The OACP covers key elements such as an explicit anti-corruption commitment from key stakeholders, relevant policies and procedures, controls, training and communication, reporting mechanisms and importantly, regular auditing and monitoring.
- In 2021, the SC has taken steps to ensure alignment of its anti-corruption control measures with the ISO 37001 Anti-Bribery Management System (ABMS) requirements. The SC conducted an ABMS Compliance Self-Assessment to identify improvement opportunities. The SC has also established its ABMS Compliance Framework to facilitate continuous alignment with the requirements of NACP and relevant global standards.

## INTERNAL AUDIT

The SC's Internal Audit Department (IAD) assists the Audit Committee in the discharge of its duties and responsibilities. IAD reports directly to the Audit Committee, which determines the adequacy of scope and function of the department. IAD accomplishes its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control, and governance processes.

IAD carries out its responsibilities by conducting reviews based on the approved internal audit plan, which is developed using a risk-based methodology.

The main activities of IAD for the year 2021 included performing predominantly risk-based audits for the areas identified in the internal audit plan. The result of the audits and activities performed by the internal audit function was presented to the Audit Committee for its review. Where applicable, internal audit conducted follow-up audits to ensure that the Management's corrective actions were implemented appropriately and provided updates on the status of the key actions to the Audit Committee. In addition, IAD played an advisory role in the course of performing its audit activities.

The review of the Audit Committee Charter and the Internal Audit Charter (Charters) is undertaken every 2 years as required under the Charters, to ensure they remain relevant and are in line with The Institute of Internal Auditors' International Professional Practices Framework.

## EXTERNAL STAKEHOLDER AND PUBLIC COMMUNICATION

Consistent and constant communication with capital market participants is necessary to facilitate the effective discharge of the SC's responsibilities. Regular meetings and discussions with its key stakeholders enable the SC to provide facilitative policies, a robust regulatory framework, and encourage continuous growth and development of the capital market. All media releases, publications, guidelines, annual reports as well as consultation and response papers are posted on the SC's official website – [www.sc.com.my](http://www.sc.com.my).

The SC's Consumer and Investor Office acts as one of the key channels in engaging investors and the public. The office receives and handles public complaints and enquiries relating to the capital market. In addition, it is also responsible for the SC's investor empowerment strategy under the InvestSmart® brand, targeted towards the public and investors of all life stages.

Through InvestSmart®, the SC undertakes various initiatives via different modalities such as exhibitions, seminars, roadshows, digital and social media on the fundamentals of making sound investment decisions.

SIDREC is a body approved by the SC to handle capital market-related monetary disputes by investors against its members. SIDREC's members are licensed intermediaries and registered persons specified under Part 1 of Schedule 4 of the CMSA, carrying out dealings in securities, derivatives, PRS, and fund management in Malaysia. They comprise banks, stockbrokers, derivatives brokers, fund management companies, unit trust management companies, PRS providers and distributors as well as two specified development financial institutions (DFIs).

Effective and affordable access to redress for monetary disputes between investors and market intermediaries provided by an independent and impartial body forms part of international best practice and supports the SC's investor protection and empowerment initiative.

Under SIDREC's Mandatory Scheme for claims not exceeding RM250,000, SIDREC's members are required to participate in SIDREC's dispute resolution process. Services under the Mandatory Scheme are free to investors. Under its Voluntary Scheme, where both parties must agree to use SIDREC's expert services, SIDREC is able to accept claims exceeding RM250,000 for mediation and adjudication as well as court-referred mediation.

Apart from its involvement during the dispute resolution process with both SIDREC's members and investors, SIDREC also interacts with the investing public through its awareness initiatives. In addition, SIDREC concurrently engages its members, the SC, and other stakeholders such as related industry associations and self-regulatory organisations (SROs) to provide positive insights and concerns stemming from its dispute resolution process. This provides valuable feedback to the market, investors, and the regulator.