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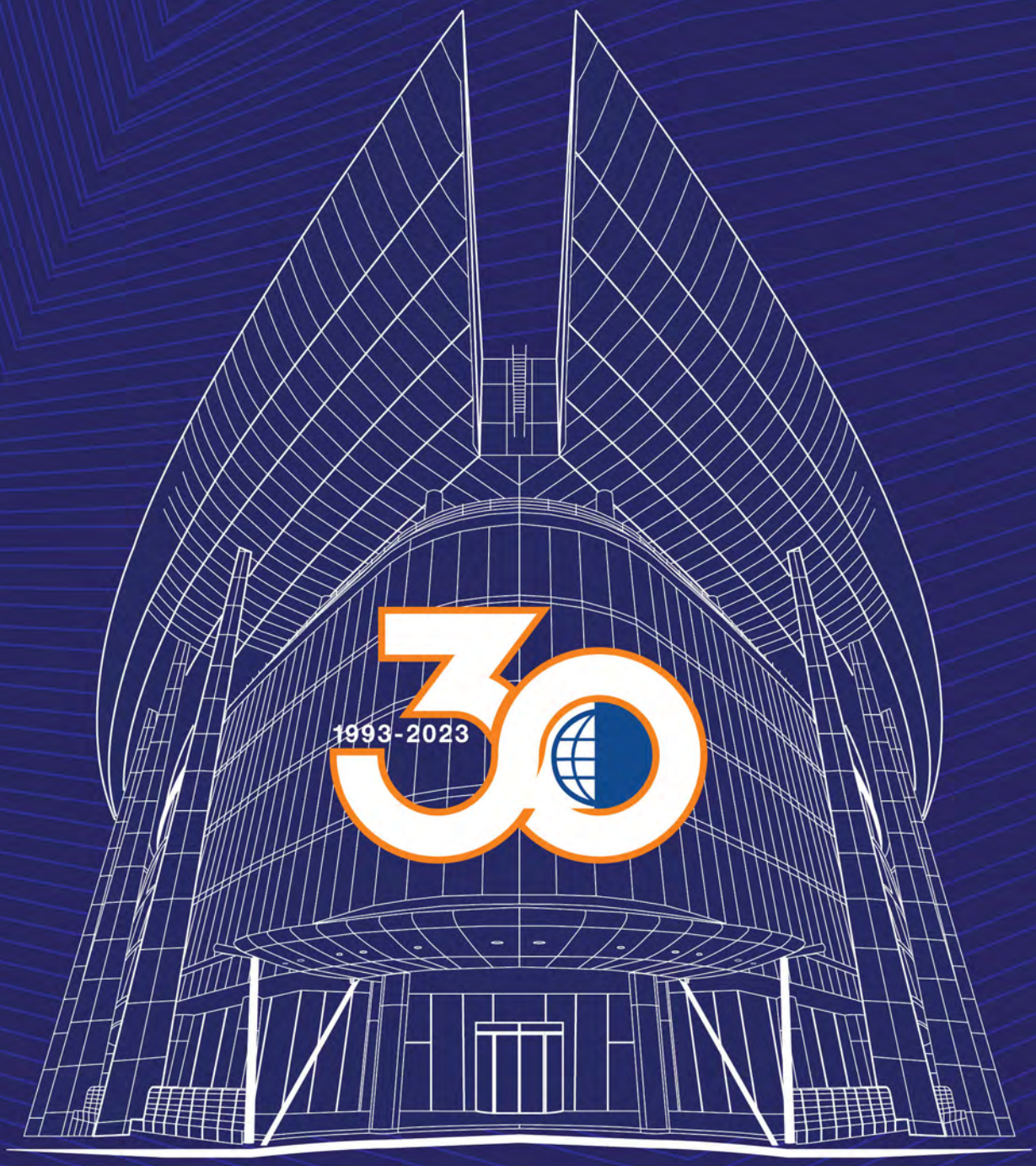

ANNUAL REPORT 2023

SECURITIES COMMISSION MALAYSIA

ANNUAL REPORT 2023

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MISSION STATEMENT

To promote and maintain fair, efficient, secure and transparent securities and derivatives markets and to facilitate the orderly development of an innovative and competitive capital market.

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CHAIRMAN'S MESSAGE

CHAIRMAN'S MESSAGE

> **"2023 heralds the SC's 30th anniversary, reflecting our maturity and resilience. With this, we remain committed to ensuring the continued vitality of the capital market, enhancing its efficiency, competitiveness, and accessibility for all."**

As the Chairman of the Securities Commission Malaysia (SC), I am pleased to present our 2023 Annual Report. As reflected in the front cover of this Annual Report, 2023 holds special significance as it marks the 30th anniversary of the SC, a major milestone that underscores the growing maturity and resilience of this institution.

To commemorate our three decades, we have published and launched *Capital Market in Malaysia – Past, Present, and Future*. This book, drawing insights from SC Chairmen from its inception to the present, and senior SC staff as well as key stakeholders, charts the evolution of Malaysia's capital market. It highlights past challenges and how these were overcome, and projects future trends in the capital market. The book also encapsulates our dedication to fostering a resilient and progressive capital market.

MARKET RESILIENCE DESPITE HEADWINDS

In 2023, despite global economic challenges and divergent monetary policies, the Malaysian economy remained resilient, supporting economic activity and intermediating savings.

The capital market grew by 5.6% to RM3.8 trillion in 2023 from 2022, driven largely by a vibrant bond market. The fund management industry also contributed to the resilience of the Malaysian capital market, with total assets under management (AUM) hitting a new high of RM975.5 billion, up sharply from RM906.5 billion in 2022 and even higher than RM951.1 billion recorded in 2021. However, just as with most markets in the region, the equities market did not perform as well in 2023 due to global headwinds. The FTSE Bursa Malaysia KLCI (FBMKLCI) declined by 2.73% during the year. Nonetheless, positive developments in our stock market in the first two months of 2024 have been most encouraging.

ADVANCING CAPITAL MARKET AGENDA

The SC is committed to *Malaysia's MADANI Economy Framework* (*Ekonomi MADANI*) and the *Capital Market Masterplan 3* (CMP3) to steer Malaysia's capital market in a challenging global environment. Our focus on building a robust, inclusive and sustainable ecosystem is reflected in the introduction of several reforms designed to enhance the efficiency, competitiveness, and accessibility of the capital market, thus ensuring its continued vitality.

In the ever-evolving market landscape, stakeholder collaboration is key. We are committed to engaging with and consulting all key stakeholders in developing relevant policies to reflect changing needs. We are undertaking significant reforms to the two key legislations – the *Capital Markets and Services Act 2007* (CMSA) and *Securities Commission Malaysia Act 1993* (SCMA). This is to ensure that the SC is future-ready in discharging its developmental and regulatory roles.

Additionally, we continue to make our impact felt internationally. As a board member of the International Organization of Securities Commissions (IOSCO) and incoming chair of the ASEAN Capital Markets Forum (ACMF) in 2025, we are not just strengthening our regulatory framework, but also showcasing our commitment to global best practices and leading the region in capital market development.

Efficiency and Competitiveness

We recognise that better *time-to-market* is crucial for businesses or products to successfully time their market entry. This will promote market dynamism, mitigate the risk of missed opportunities, and improve cost-effectiveness for businesses.

We have rolled out several initiatives to support this goal. They include the Focused Scope Assessment (FSA) for new and eligible Capital Market Intermediaries (CMI) and Recognised Market Operators (RMOs). The FSA halves the licensing and registration processing time to three months for identified activities while improving the quality of submissions.

As for companies going for listing on the Main Market, we have enhanced our processes to improve our turnaround time to three months. The streamlining in our gatekeeping approach is also in response to the capital market's evolving maturity and regulatory landscape.

We are also focusing on clearer delineation of key market segments as part of the SC's ongoing public market review. The new accelerated transfer process from the ACE to the Main Market for eligible ACE Market companies is one such initiative. It will also help reduce market friction.

As part of the SC's commitment to maintain capital market competitiveness and vibrancy, and boost investor participation, we have implemented the *Guidelines on Categories of Sophisticated Investors*. The new 'Knowledge and Experience' category will benefit individuals who do not meet financial criteria but are able to demonstrate financial knowledge sophistication to participate in relevant market offerings.

We also want to widen access and affordability in the domestic stock market through initiatives such as the Foreign Exempt Scheme (FES) and the introduction of fractional trading, which enables investors to buy portions or slices of stocks, to cater for their budgets especially among the young investors.

But we are not only seeking to make investment available to a wider group of investors. The SC is also grooming more micro, small and medium-sized enterprises (MSMEs) so they can eventually access capital market funding. Towards this end, we signed a Memorandum of Understanding with SME Corp Malaysia in 2023. The tie-up will help groom MSMEs towards an eventual listing, which will include improving their sustainability and corporate governance, thus creating a robust pipeline to reinforce and enliven our stock market.

Enhancing Sustainability

The SC remains serious about advancing Malaysia's capital market and support its transition towards a low-carbon economy. Following the introduction of the *Principles-Based SRI Taxonomy for the Malaysian Capital Market* in December 2022, we are working on the *SRI Taxonomy Plus-Standards* to improve clarity when identifying economic activities.

In addition, we have come up with the *SRI Guide for Private Markets* and revised guidelines on SRI Funds. We also want SMEs to make a start towards ESG disclosures, which are already important if they have international customers and will become even more so,

as they progress towards listing. Towards this end, we have introduced the *Simplified ESG Disclosure Guide for SMEs.* We have also expanded the wholesale fund framework to include permissible investments beyond current conventional assets.

However, we are not only looking to help companies transition to a more sustainable path. The SC is also looking to transform our own practices, and with that in mind, we have embarked on the Sustainability First Initiative (SFI), which is in line with the ongoing efforts to encourage adoption of sustainability initiatives in the capital market.

We understand that you need to do more than pay lip service to sustainability and corporate governance if these practices are to become firmly entrenched within the boards of listed companies in Malaysia. Thus, we have introduced the Leading for Impact Programme (LIP) for directors of public companies, to enhance their corporate governance and sustainability practices.

We believe that Malaysia should play to its strengths. With that in mind, we are leveraging Malaysia's Islamic finance leadership, which has topped the Global Islamic Economy Indicator (GIEI) for 10 consecutive years. The SC's industry sustainability efforts also aligned with the Islamic capital market (ICM) initiatives, which promote an inclusive and equitable economy. These include harnessing the potential of waqf and introducing the *Maqasid Al-Shariah Guidance for the Islamic Capital Market Malaysia* (Guidance). The universal guiding principles in the Guidance are designed to enhance the ICM's competitive edge and fortify its societal and economic impacts.

UPHOLDING MARKET INTEGRITY

At the heart of our mission lies a steadfast commitment to maintaining the integrity of the market. We take breaches of securities laws very seriously. Throughout 2023, the SC has been relentless in its pursuit of those who violate these laws, achieving successful outcomes in cases of insider trading, securities fraud and offences related to the *Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001.* For instance, in early 2024, we initiated criminal proceedings against individuals involved in alleged money laundering offences totalling RM183.5 million. Currently, we are dealing with 32 cases in various stages of legal proceedings. Through successful civil suits and regulatory settlements, we have identified RM4.5 million for restitution.

Our aim is to ensure that investors are empowered with the necessary information and education to make informed decisions. To combat unlicensed activities and scams, we have ramped up our surveillance and strategic communication. In 2023, we established an internal Task Force to focus on scams and unlicensed activities. Through this initiative, we rolled out user-friendly tools, such as the *Investor Alert* page and '*Scam Meter*', helping investors to stay informed and one step ahead of scammers. We also introduced the new '*Investment Checker*' portal which provides a quick way for investors to verify the legitimacy of regulated activities.

We need a proactive strategy to address the growing threats of investment scams and unlicensed activities. Towards this end, the SC is also establishing a dedicated unit to enhance its effectiveness in combating financial scams. However, as much as we take up the cudgels on their behalf, investors must also exercise caution and take ownership of their investment decisions.

BOOSTING DIGITAL INNOVATION

We encourage new ideas, solutions, and advancements in digital technology within the Malaysian capital market. The SC is focused on meeting the growing need for digital and online services by encouraging market players to embrace innovative digital capabilities, leading to greater growth and development in the market. Some of our notable initiatives in this sphere include the RM30 million DIGID fund to catalyse digital transformation and greater innovation within the capital market ecosystem, while FIKRA ACE is dedicated to expanding the Islamic fintech sector and its talent pool.

With digital technology advancing rapidly, navigating the complexities of digital communication and devices becomes increasingly challenging. For instance, we need to enhance our digital forensic capabilities to effectively address securities laws breaches and offences. That is why we have set up the Digital Forensic Lab, a dedicated centre housed at the SC to strengthen our investigative capabilities and stay ahead in digital crime investigations.

While the SC continues to promote the industry's greater adoption of Regulatory Technology (RegTech), we are also taking a proactive approach by adopting Supervisory Technology (SupTech) and data analytics.

By harnessing these digital tools, we aim to streamline processes and address emerging challenges in this dynamic digital age.

LOOKING AHEAD

The SC remains unwavering in our resolve to strengthen our regulatory framework and uphold market integrity, not least because we continue to be measured against global regulatory standards. In fact, Malaysia will be subject to the Financial Action Task Force (FATF) evaluation exercise in 2025.

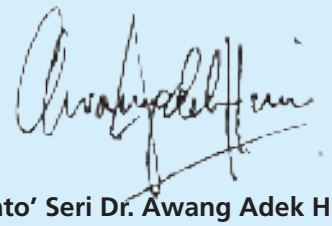
We will also continue to pursue engagements and collaborations. By fostering partnerships with industry stakeholders and regulatory bodies, both local and global, we can collectively address emerging challenges. Additionally, regular dialogues and knowledge sharing initiatives will enable us to stay abreast of global best practices and adopt these into our regulatory framework accordingly.

We will also invest in talent development and retention. Programmes such as *investED*, which was launched by Prime Minister Dato' Seri Anwar Ibrahim, are currently underway to cultivate the next generation of capital market leaders.

As we continue to nurture talent, it is crucial to provide opportunities for continuous learning and skill enhancement. This is to be achieved through collaborations with educational institutions and industry experts, offering specialised courses tailored to the needs of the industry. Additionally, initiatives such as the Shariah Mentorship Programme can help provide guidance and support to aspiring professionals in the capital market industry.

Furthermore, our commitment to inclusivity extends to supporting tertiary education. We are working with the industry to set up and launch '*Tabung Kebajikan Pasaran Modal*' for eligible B40 university students targeted for 2024.

These achievements and aspirations stem from the strong commitment and professionalism of the SC staff, to whom I extend deep appreciation. Our progress has been significantly enriched by the invaluable insights from our experienced Board Members. I wish to express my gratitude as we bid farewell to Ms. Lynette Yeow Su-Yin and Datin Rashidah Mohd Sies, and warmly welcome Dato' Alizatul Khair Osman Khairuddin, Dato' Mohd Faiz Azmi, Encik Kemal Rizadi Arbi and Datuk Dr. Shahrazat Haji Ahmad to the SC Board. The unwavering support and meaningful perspectives gained through engagements with our industry leaders and international counterparts have benefitted us in strengthening Malaysia's capital market and propelling it to greater heights.



Dato' Seri Dr. Awang Adek Hussin

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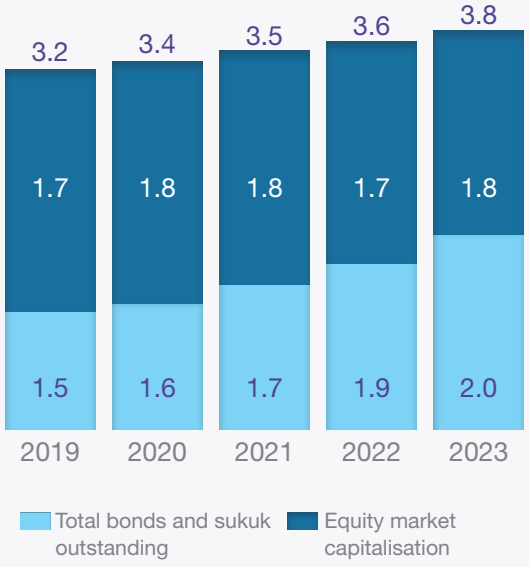
HIGHLIGHTS 2023

HIGHLIGHTS 2023: CAPITAL MARKET PERFORMANCE
5-year performance (2019-2023)

Total Capital Market Size (RM trillion)



Size in 2023

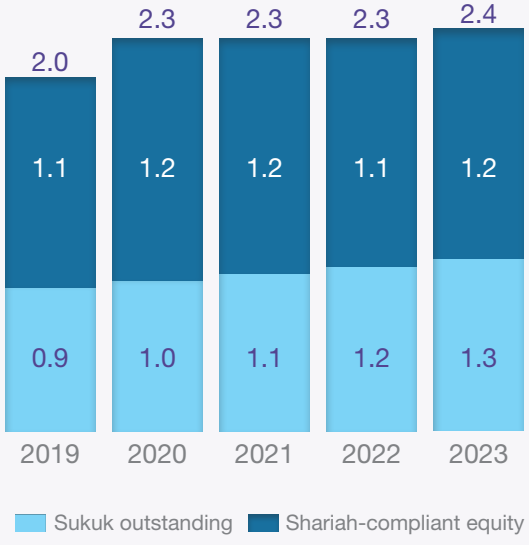
RM3.8 trillion

Year-on-year growth

+5.6%

Total capital market grew by 5.6% to RM3.8 trillion in 2023, driven by growth in both equity market capitalisation and total bonds and sukuk outstanding. Since 2019, the total market has grown by 4.1% p.a.*, with bonds and sukuk outstanding growing by 7.4% p.a. and equities by 1.1 % p.a.

Size of Islamic Capital Market (RM trillion)



Size in 2023

RM2.4 trillion

Year-on-year growth

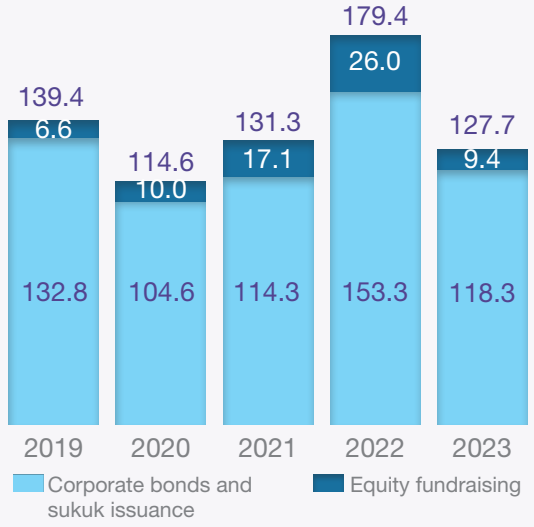
+4.5%

The Islamic capital market (ICM) grew by 4.5% to RM2.4 trillion in 2023. Since 2019, the ICM has grown by 5.2% p.a.*, with sukuk outstanding growing by 8.5% p.a. and Shariah-compliant equities by 2.2% p.a.

* Based on compound annual growth rate (CAGR).
\# Total may not add up due to rounding.

HIGHLIGHTS 2023: CAPITAL MARKET PERFORMANCE
5-year performance (2019-2023)

Total Equity and Debt Fundraising (RM billion)



Size in 2023

RM127.7 billion

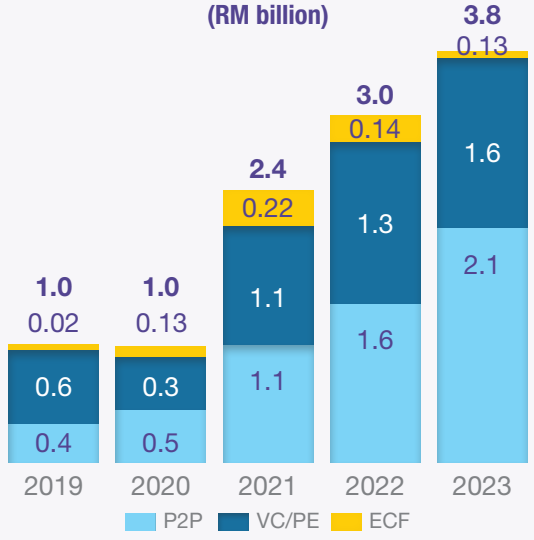
Note: Equity fundraising includes real estate investment trusts (REITs)

Year-on-year growth

-28.8%

Total fundraising declined by 28.8% to RM127.7 billion in 2023, compared to a high of RM179.4 billion in 2022, driven by lower secondary fundraising activities and total corporate bonds and sukuk issuances.

Total Alternative Fundraising (RM billion)



Size in 2023

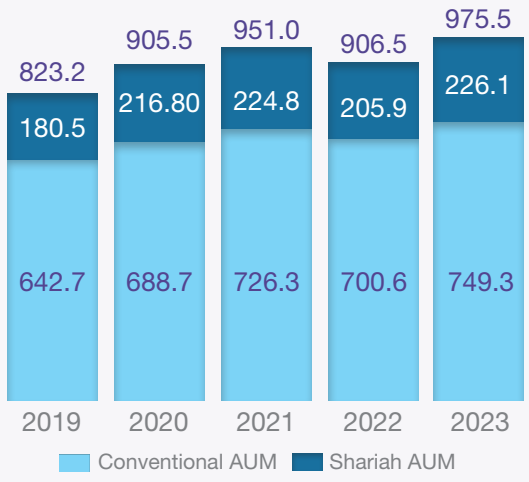
RM3.8 billion*

Year-on-year growth

+27.8%

Total alternative fundraising avenues grew by 27.8% from 2022. Since 2019, total alternative fundraising has grown by 36.5% p.a.*, driven by equity crowdfunding (ECF)/peer-to-peer financing (P2P financing) fundraising (62.5% p.a.) and venture capital (VC)/private equity (PE) fundraising (21.4% p.a.).

Fund Management Industry AUM (RM billion)



Size in 2023

RM975.5 billion

Year-on-year growth

+7.6%

Total assets under management (AUM) of the fund management industry grew by 7.6% to RM975.5 billion in 2023 amid higher market valuation and greater asset allocation in developed markets. Since 2019, the AUM has grown by 5.6% p.a.* from 2019 to 2023, driven largely by the Shariah segment.

* Based on CAGR.
\# Total may not add up due to rounding.

HIGHLIGHTS 2023: REGULATORY ACTIONS

Criminal Actions

5
persons convicted / convictions affirmed

RM8.7 million
court fines

Compounds

RM0.3 million
compounded amount

2
persons compounded

Civil Actions

RM4.8 million
civil penalties imposed

RM13.8 million
total disgorgement

RM0.3 million
restitution amount

3
completed civil actions

Administrative Actions

140
admin sanctions imposed

80
reprimands issued

44
penalties / fines imposed amounting to **RM19.53 million**

HIGHLIGHTS 2023: KEY INITIATIVES

Enhancing the fundraising and investment ecosystem

- **Signed Memorandum of Understanding (MOU) with SME Corp** to boost micro, small and medium-sized enterprise (MSME) access to capital markets, aiming to develop 200 capital market-ready MSMEs by 2026
- **Introduced accelerated transfer process** to facilitate promotion of eligible ACE Market listed companies to the Main Market to enhance overall equity market attractiveness
- **Launched *investED*** to attract Malaysian fresh graduates and nurture local talent within the capital market industry

Empowering investors through expanding access to the capital market

- **Introduced fractional share trading** to enhance accessibility to the stock market
- **Introduced the Foreign Exempt Scheme Framework** to broaden access to foreign funds and provide more options for sophisticated investors
- **Provided flexibilities for secondary listing of foreign exchange-traded funds (ETFs)** on Bursa Malaysia to enhance participation in the domestic ETF market
- **Expanded advisory channels** to provide dealer representatives with more flexibility in offering advisory-related services

Addressing the stakeholder economy

- **Issued the *Sustainable and Responsible Investment Guide for Private Markets* (SRI Guide for Private Markets)** to incorporate sustainability in the investment process of private markets
- **Established an inter-agency Advisory Committee on Sustainability Reporting (ACSR)** to develop the National Sustainability Reporting Framework
- **Published the *Simplified ESG Disclosure Guide (SEDG) for SMEs in Supply Chains*** to guide small and medium enterprises (SMEs) in making necessary disclosures for exports

Fortifying leadership in the ICM

- **Issued the *Maqasid Al-Shariah Guidance Islamic Capital Market Malaysia* (Guidance)** to strengthen the competitive edge of the ICM and bolster its societal and economic impact
- **Introduced FIKRA ACE**, the enhanced Islamic fintech accelerator to expand the Islamic fintech sector and cultivate its talent pool
- **Introduced the Shariah Mentorship Programme** to create a continuous talent pipeline of Shariah advisers to meet the specific needs of the ICM industry

Prioritising investor protection

- **Continued investor education initiatives** to raise public awareness of the capital market through the 10th instalment of InvestSmart® Fest in 2023 and Bersama InvestSmart® @ Penang 2023
- **Established a Task Force on Scams and Unlicensed Activities** to co-ordinate the SC's anti-scam intervention approaches, which included initiatives such as:
  - Enhanced the SC's Investor Alert List page
  - Developed the Investment Checker tool and Scam Meter on the SC's website

Enhancing technology and cyber resilience

- **Introduced the *Guidelines on Technology Risk Management*** to provide comprehensive regulatory framework for managing technology risk in capital market entities
- **Conducted supervisory assessment** on selected capital market participants on the resilience of their cyber and technology risk management
- **Granted approvals-in-principle (AIPs) to three local Digital Asset Custodians (DACs)** to strengthen the protection of digital assets

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PART 1
CAPITAL MARKET REVIEW AND OUTLOOK

PART 1
CAPITAL MARKET REVIEW AND OUTLOOK

OVERVIEW

The global economic landscape continued to experience considerable challenges in 2023, marked by persistent divergence in global growth and monetary policy expectations, coupled with escalating geopolitical tensions that contributed to overall volatility in global financial markets. Domestically, growth of the Malaysian economy moderated but remained resilient, underpinned by sturdy domestic demand. Against the backdrop of heightened global challenges, the Malaysian capital market stayed orderly and continued to function effectively in financing economic activity and intermediating savings. Going forward, the Malaysian economy is expected to remain on a steady growth path in 2024, driven by continued private sector spending. Meanwhile, the domestic capital market is expected to remain stable, fair, and orderly, backed by sound economic fundamentals, ample domestic liquidity, and a supportive policy environment.

GLOBAL DEVELOPMENTS IN 2023

The global economy continued to experience considerable challenges and macroeconomic divergences. While remaining resilient, global economic growth momentum has moderated and is uneven across countries and regions amid the ongoing impact of tighter global monetary conditions, persistent underlying inflationary pressures, as well as heightened geopolitical uncertainty and geoeconomic fragmentation. Despite easing inflationary trends, core price pressures remain elevated, prompting major central banks to reaffirm their commitment to containing inflation until it falls durably within the target range.

Although moderating in momentum, global growth surpassed initial expectations as optimism arose from developments such as a stronger-than-expected United States (US) economy, an easing energy crisis in Europe, and China's economic reopening post-pandemic. Despite an ongoing contraction in manufacturing activity – reflecting weaker global demand conditions – services activity remained resilient, alongside historically tight labour markets. Swift policy action by the US and European authorities also served to restore market confidence after banking turmoil earlier in the year, given the impact of tighter financing conditions.

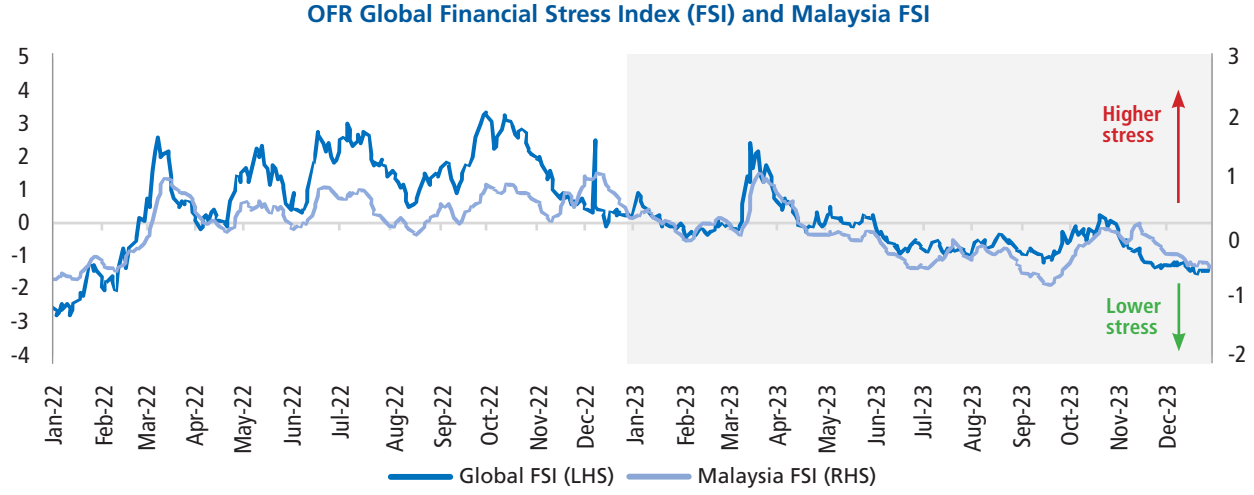
Meanwhile, China's economic growth showed signs of early recovery following its exit from zero-COVID policies, but momentum dwindled, hampered by ongoing stress in the real estate market, growing corporate debt risks and weakening confidence, which continues to weigh on global economic activity. The International Monetary Fund (IMF) in its *World Economic Outlook* report in October 2023 forecasted global growth to slow to 3% in 2023 from 3.5% in 2022, with growing regional divergences. However, Asia Pacific is expected to remain as a global growth driver, with the IMF forecasting growth in the region to accelerate to 4.6% in 2023, from 3.9% in 2022.

Global financial markets performance ended 2023 on a high note, despite the constant shifts in investor sentiments amid heightened global economic uncertainty. Disinflation progress in major economies also continued to influence expectations surrounding the path of global monetary policy, which resulted in volatility in global financial markets throughout the year. The overall level of global financial stress increased in March 2023 amid banking system stress in the US and Europe, but subsequently eased towards the end of the year following a shift in expectations that global interest rates are nearing their peak (Chart 1).

In the global equity markets, the MSCI World Index rose by 21.8% in 2023, while the MSCI Emerging Markets Index trailed the global benchmark by rising 7.0%, partly reflecting concerns from China's subdued economic recovery. Meanwhile, global bond indices improved, particularly in the latter part of 2023, driven by a dovish shift in monetary policy expectations amid the gradual easing in global inflationary pressures (Chart 2).

CHART 1

Both global and Malaysian financial stress levels moderated in 2023, reflecting a shift in expectations that major central banks are approaching the peak of their tightening cycle, especially towards the end of the year

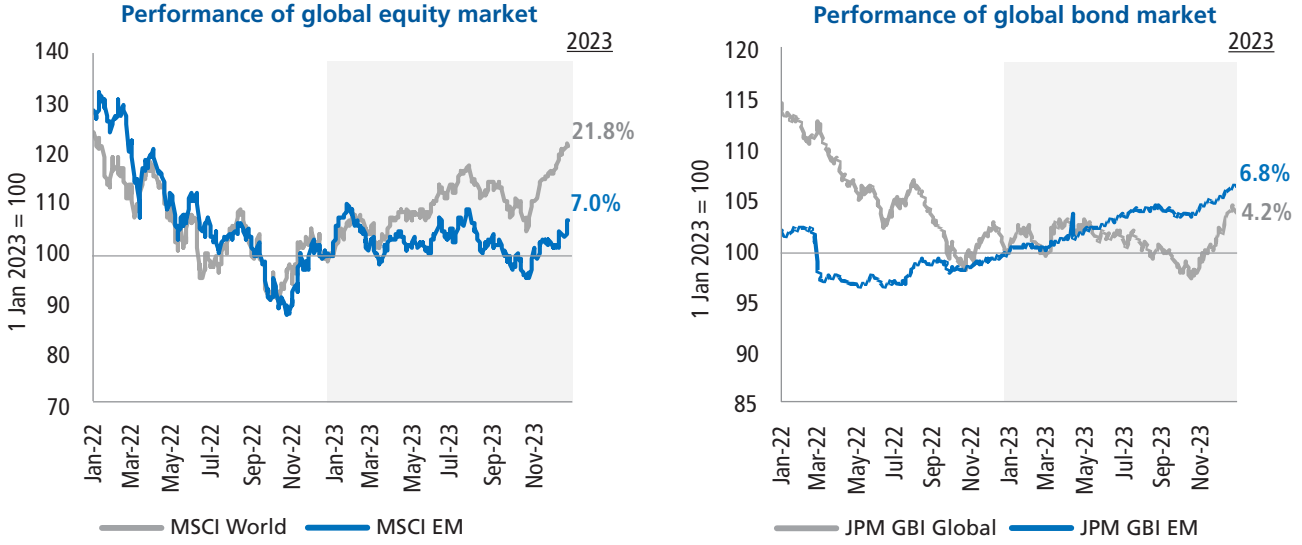


Note: The Global FSI is from the Office of Financial Research, US Department of Treasury, while the Malaysia Financial Stress Index (MFSI) is internally estimated following similar methodology (see Monin, 2017). Value of FSI above zero indicates higher than historical average financial stress in the economy.

Source: US Office of Financial Research, the SC's internal estimates.

CHART 2

Global equities and bonds performances improved in 2023



Source: Refinitiv Eikon Datastream; the SC's calculations.

MALAYSIAN CAPITAL MARKET DEVELOPMENTS IN 2023

The Malaysian economy continued to grow in 2023, albeit at a moderate pace, underpinned by resilient domestic private sector activities against the backdrop of challenging global trade. The labour market strengthened further, with the unemployment rate improving to a three-year low and supporting wage growth. By economic activity, the services sector continued to lead growth amid higher tourism activities and robust consumer spending. While headline inflation has moderated, core inflation remains high, reflecting continued underlying price pressures. For the full year of 2023, real gross domestic product (GDP) expanded 3.7%, on the back of sturdy domestic demand growth (Chart 3).

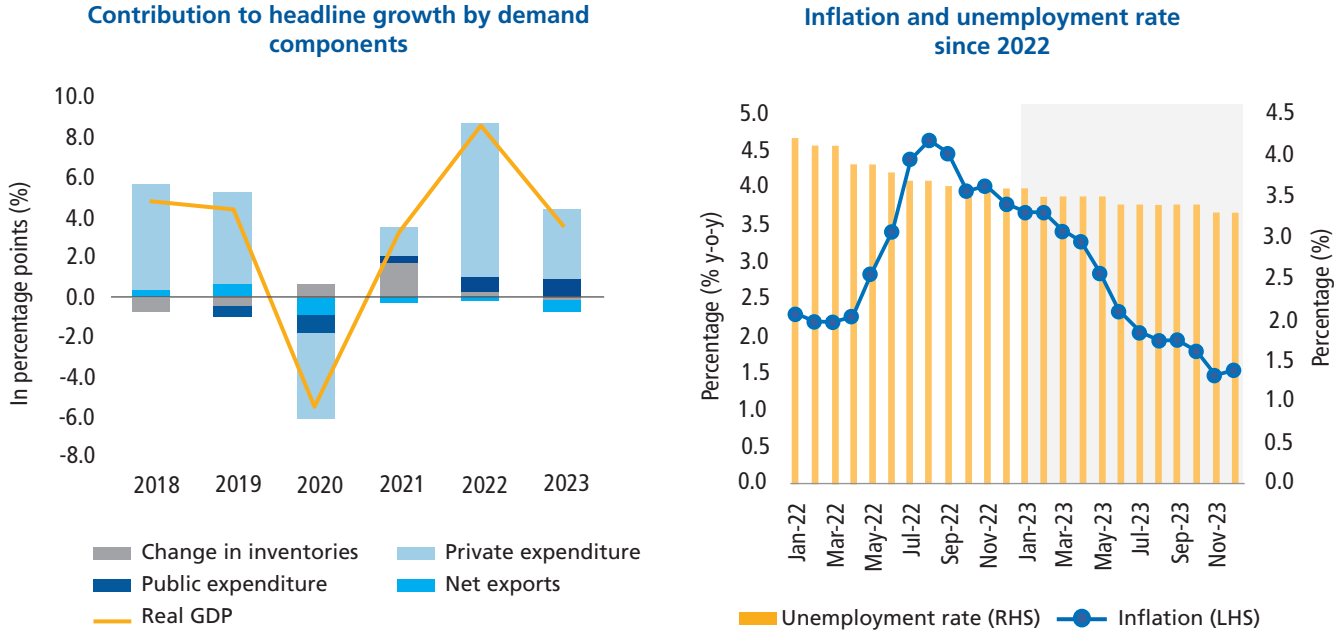
The Domestic Capital Market Continued to Support the Real Economy

The Malaysian capital market remained orderly, while continuing to serve its fundamental role in financing domestic economic activity and mobilising savings effectively. Malaysia's financial stress broadly eased in 2023 and remained largely below its historical average despite concerns over stress in the US and European banking systems in March and rising conflicts in the Middle East in October. The performance of the capital market, however, was mixed, against a backdrop of continued economic uncertainty stemming from escalating geopolitical tensions, a weaker-than-expected economic recovery in China and the movement of the Malaysian ringgit against major currencies in the foreign exchange market.

The size of the capital market increased to RM3.8 trillion in 2023 (2022: RM3.6 trillion), driven by broad-based growth in both total Bursa Malaysia market capitalisation and bonds and sukuk outstanding. Similarly, the fund management industry expanded in 2023, with total assets under management (AUM) rising to a record high of RM975.5 billion (2022: RM906.5 billion), amid improvement in market value and greater asset allocation in developed markets (Chart 4). The unit trust segment[1] remained the largest source of funds, comprising 51.3% of total AUM (2022: 53.9% of total).

However, total funds raised in the capital market moderated to RM127.7 billion in 2023, compared to a high of RM179.4 billion in 2022. In the equity market,

CHART 3
The Malaysian economy continued to grow in 2023 on the back of sustained resilience in domestic demand, amid challenging global trade conditions

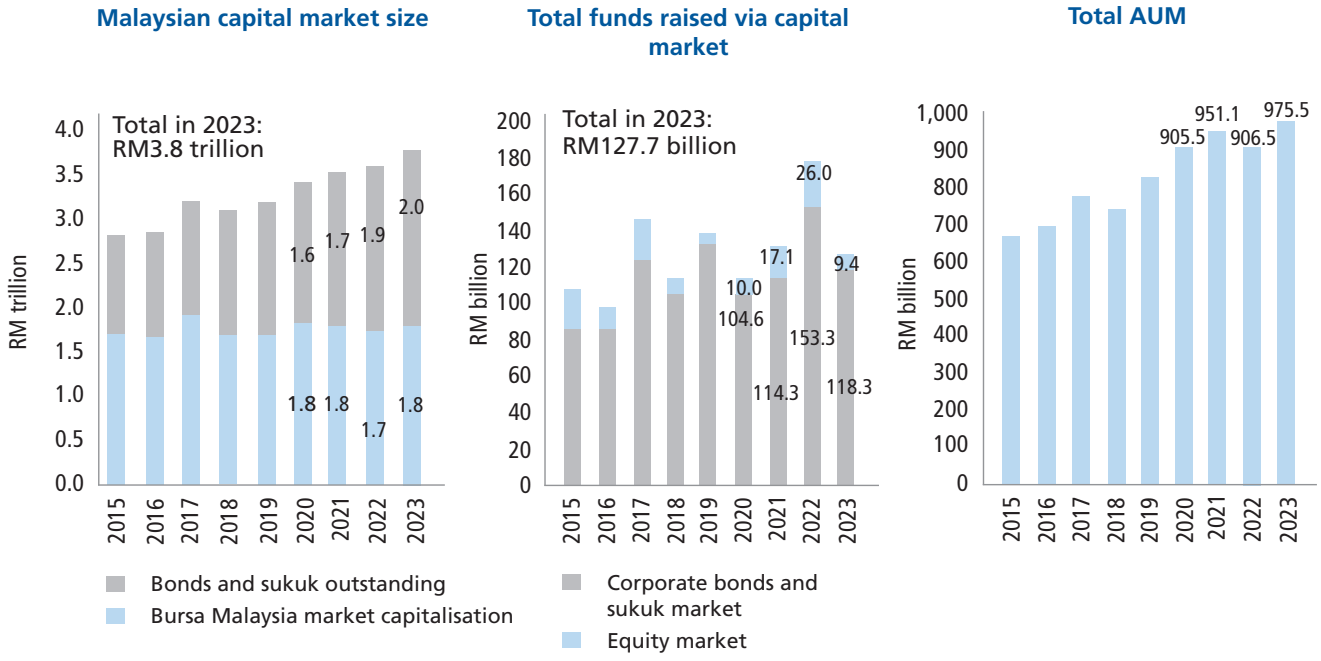


Source: Department of Statistics Malaysia, the SC's calculations.

[1] Unit trust total net asset value (NAV) of RM500.5 billion in 2023 (2022: RM488.5 billion).

CHART 4

The size of the Malaysian capital market grew in 2023, despite lower fundraising activities, while AUM of the fund management industry registered a new high



Source: Bursa Malaysia; the SC's calculations.

primary issuances improved to RM3.6 billion (2022: RM3.5 billion) via 32 initial public offerings (IPOs), while secondary fundraising activities declined to RM5.8 billion (2022: RM22.6 billion) amid lower corporate activities in 2023. Similarly, in the corporate bonds and sukuk market, total issuances normalised to RM118.3 billion in 2023 (2022: RM153.3 billion), following higher refinancing demand in the previous year. There was an exceptional surge in refinancing demand in 2022 amid the introduction of various relief programmes aimed at assisting issuers and intermediaries in their post-pandemic recovery. Total issuances remained healthy and in line with the 10-year average of RM111.2 billion per annum.

Importantly, the Malaysian bonds and sukuk market continued to witness issuances in sustainability-related instruments[2], affirming the capital market's pivotal role in supporting financing needs towards achieving the nation's sustainability agenda. Meanwhile, the availability of alternative financing platforms continued to promote financial inclusivity, especially in supporting the funding needs of micro, small and medium-sized enterprises (MSMEs), with total alternative fundraising avenues[3] via equity crowdfunding (ECF) and peer-to-peer financing (P2P financing) rising further in 2023.

The domestic equity market was influenced by developments in the domestic economy and global headwinds, with volatility driven by the direction and pace of global monetary policy, ongoing geopolitical conflicts and slower global growth. The overall market capitalisation of the local bourse ended higher at RM1.80 trillion in 2023 (2022: RM1.74 trillion), while that of the FBMKLCI moderated to RM1.01 trillion (2022: RM1.03 trillion). This reflects a positive shift in sentiments favouring medium and small-size companies, as reflected by the favourable performances of FBM Mid 70 and FBM Small Cap. The benchmark FBMKLCI index declined by -2.73% to end the year at 1,454.66 points (2022: -4.60%), while the FBM Mid 70 and FBM Small Cap rose by 12.28% and 9.57% (2022: -8.41% and -5.30%) to 14,612.98 points and 16,353.38 points respectively.

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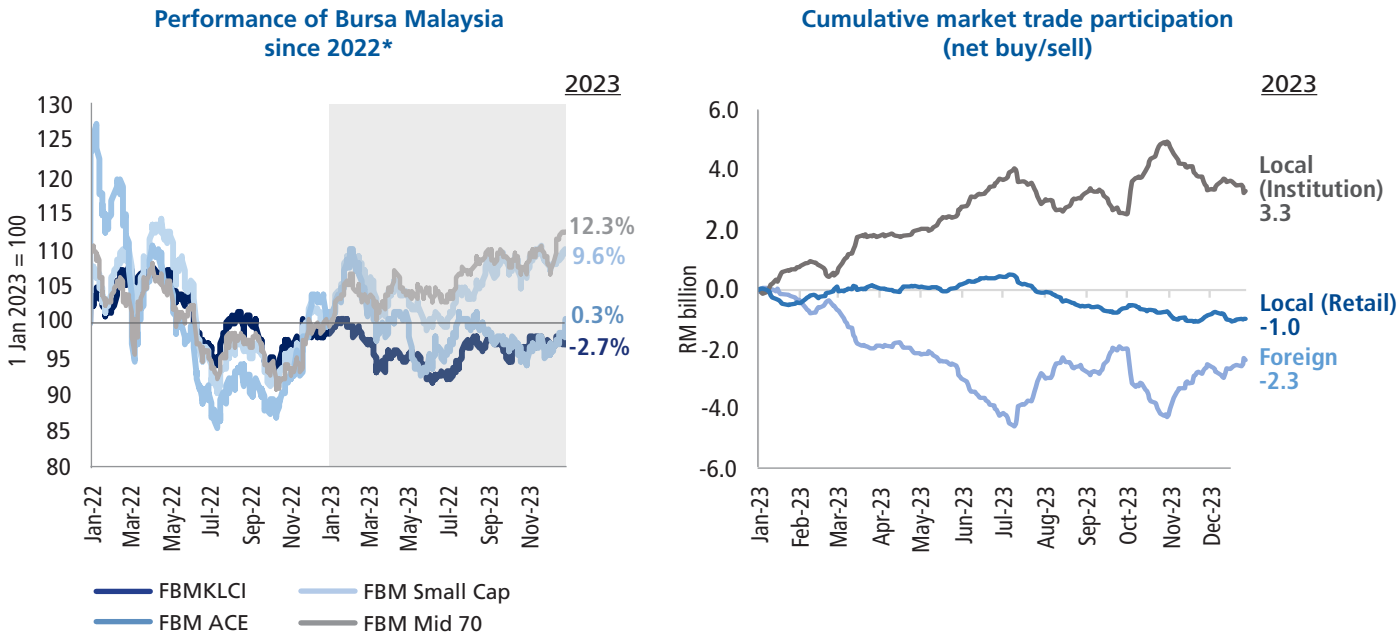
2 Sustainability-related corporate bonds and sukuk issuances was RM8.7 billion in 2023 (2022: RM10.1 billion).
3 Funds raised via ECF and P2P financing was RM2.2 billion in 2023 (2022: RM1.7 billion).

CHART 5

Malaysia's equity market experienced a positive shift in sentiment toward the mid and small cap segment, while local institutional investors turned net buyers of local equities



Note:

* FBMKLCI consists of the largest 30 companies ranked by full market capitalisation in the FTSE Bursa Malaysia EMAS Index, while FBM Mid 70 encompasses the next 70 largest companies. FBM Small Cap consists of all constituents of the FTSE Bursa Malaysia EMAS Index that are not constituents of the FTSE Bursa Malaysia Top 100 Index. FBM ACE includes companies listed on the ACE Market.

Source: Bloomberg, Bursa Malaysia, the SC's calculations.

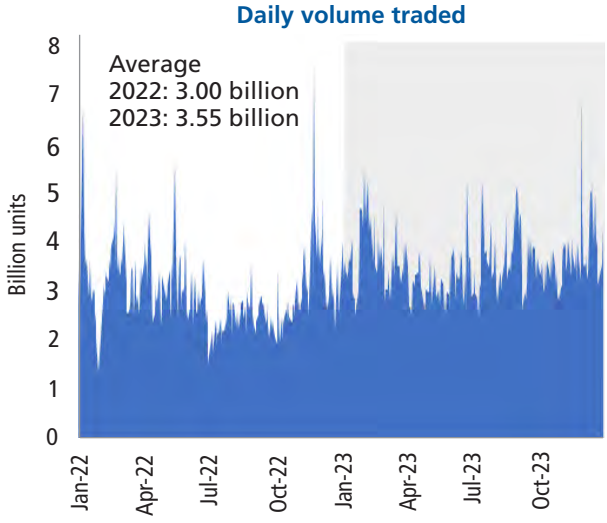
Non-residents turned net sellers of Malaysian equities, amounting a total of -RM2.34 billion in 2023 (2022: +RM4.40 billion). Correspondingly, local institutional investors accumulated a sum of RM3.30 billion in 2023 (2022: -RM6.53 billion), while local retail investors turned net sellers totalling at -RM0.96 billion (2022: +RM2.13 billion) (Chart 5). Despite a net sell position, the participation rate for retail investors improved to an average of 27.45% in 2023 (2022: 25.65%), suggesting that the domestic equity market continued to provide opportunities for a wide range of investors. Meanwhile, the average daily trading volume improved to 3.55 billion units in 2023 (2022: 3.00 billion units), and at a higher average value of RM2.29 billion per day (2022: RM2.18 billion), reflecting favourable investor sentiments, especially towards the end of the year (Chart 6).

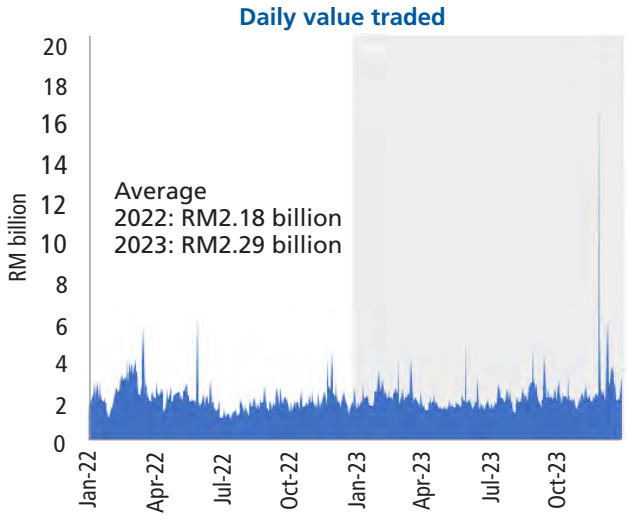
In the Malaysian bond market, total bonds and sukuk outstanding grew to RM2.00 trillion (2022: RM1.87 trillion), on the back of continued bond and sukuk fundraising, particularly from the public sector. The overall Malaysian Government Securities (MGS) yield curve shifted downward, tracking the performance of the global bond market. This largely mirrored monetary policy expectations globally, alongside expectations of a broadly stable domestic interest rate environment throughout the year. The spread between corporate bonds and MGS also tightened across most major tenures, reflecting continued demand by domestic institutional investors (Chart 7). Meanwhile, the domestic bond market witnessed the return of foreign investors, with net inflows amounting to RM25.78 billion in 2023 (2022: net outflows of -RM9.78 billion).

Despite the mixed performance of the capital market in 2023, total IPO fundraising continued to trend upwards, while that of the corporate bond and sukuk market was influenced by lower refinancing demand relative to the previous year. Importantly, the performance of the equity market was uneven across all segments, with the FBM Mid 70 and FBM Small Cap outperforming the benchmark FBMKLCI during the year. Meanwhile, stable domestic credit conditions continued to support secondary activities in the corporate bond and sukuk market. In the asset management space, gains from greater allocation in developed markets and the positive valuation effect from overall domestic exposure led the rise in AUM.

CHART 6

Equity daily trading volume and value increased towards the end of the year amid improved investor sentiments



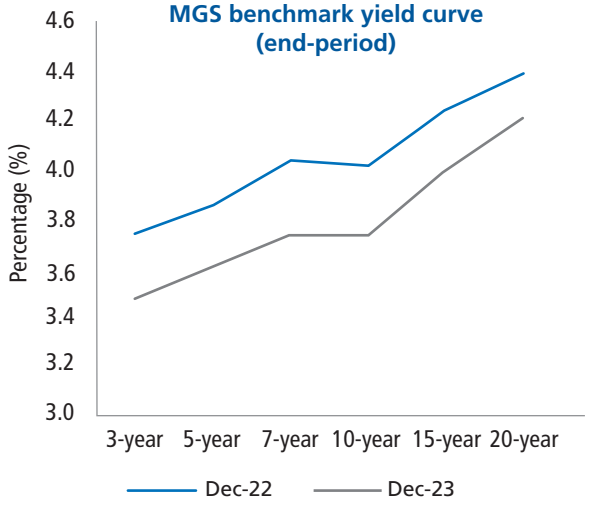


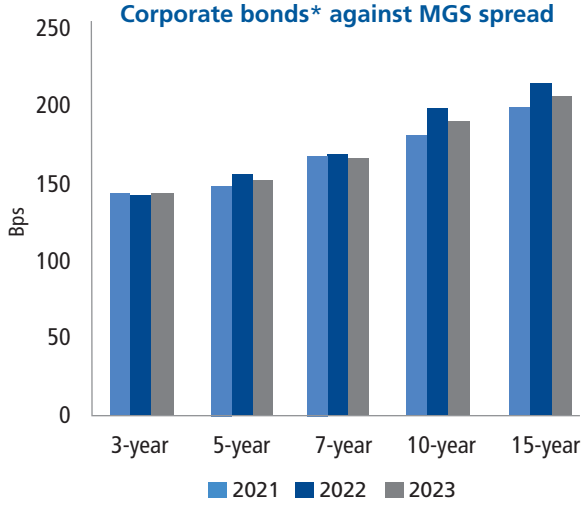
Note:
Daily trading values and volumes are inclusive of off-market transactions. The abnormality on 29 November 2023 was due to RM16 billion in off-market transactions between CelcomDigi related entities.

Source: Bursa Malaysia, the SC's calculations.

CHART 7

The MGS yield curve shifted downward amid expectations of a stable domestic interest rate environment, while corporate spreads narrowed on resilient investor demand





Note:
* Corporate bonds and sukuk rated between AAA and BBB.

Source: Bloomberg; Refinitiv Eikon Datastream; the SC's calculations.

OUTLOOK FOR 2024

Global economic growth is expected to remain tepid in 2024 amid heightened economic uncertainties. The IMF in its October WEO forecasted global growth to ease to 2.9% in 2024 from an estimated 3.0% expansion in 2023. Nonetheless, economic growth in the ASEAN-5[4] region is projected to accelerate to 4.5% in 2024 from 4.2% in 2023, which may elevate business sentiment and investment interest in the region. On the monetary front, the gradual moderation in global inflationary pressure led to a reassessment of monetary policy expectations from a prolonged period of high global interest rates to anticipation about the timing of the easing cycle. This, coupled with ongoing geopolitical fragmentation, will be key determinants of the pace of global economic recovery. Meanwhile, developments in the global capital market are expected to be in tandem with the economic outlook.

The Malaysian economy is projected to remain on a steady growth trajectory in 2024, backed by firm domestic demand, primarily through continued expansion in private sector spending. The Ministry of Finance expects growth of the Malaysian economy to accelerate to 4-5% in 2024 from 3.7% in 2023. However, risks to growth remain tilted to the downside given ongoing external challenges.

In the domestic capital market, activity will continue to be influenced by momentum in the domestic economy and corporate developments, with volatility likely to be driven primarily by uncertainties surrounding the global economy, particularly the direction of global monetary policy and evolving geopolitical tensions. Nevertheless, favourable momentum in the latter part of 2023 is expected to continue into 2024, underpinned by ongoing supportive policy actions under the *Ekonomi MADANI* framework, which includes the *New Industrial Master Plan* (NIMP) 2030 and the *National Energy Transition Roadmap* (NETR). These national policies are expected to provide a tailwind in the short- to medium-term, amid greater policy clarity and a continued commitment by the government towards improving medium-term economic growth prospects. Market expectations remained broadly positive, projecting the benchmark FBMKLCI to end 2024 at around 1,600 points. Meanwhile, the domestic capital market is expected to remain orderly and will continue to play an integral role in supporting the economy, underpinned by firm macroeconomic fundamentals, ample domestic liquidity and a facilitative capital market framework.

[4] ASEAN-5 refers to Malaysia, Indonesia, Singapore, Thailand, and the Philippines.

PART 2
REGULATORY PERFORMANCE AND OUTCOMES

PART 2
REGULATORY PERFORMANCE AND OUTCOMES

INTRODUCTION

The SC's mission to promote and maintain a fair, efficient, secure and transparent capital market is operationalised through its regulatory functions, which consist of rulemaking, gatekeeping, surveillance, supervision, complaints handling and enforcement. This chapter provides an account of the SC's key regulatory activities in 2023, which were underpinned by proactive risk surveillance to identify priority areas and enable the SC to optimally focus its efforts and resources.

MONITORING AND MANAGEMENT OF SYSTEMIC RISK

Despite the improvement in global financial markets following lower energy prices and a slower pace of monetary tightening, the capital market remained sensitive to potential deterioration in economic fundamentals such as persistently elevated core inflation and lingering geopolitical tension. Against this backdrop, the SC remained vigilant of potential downside risks that may pose a threat to the systemic stability of the Malaysian capital market.

In 2023, the SC further enhanced its enterprise-wide risk governance framework to facilitate a more streamlined and structured approach. Under this framework, the Systemic Risk Oversight Committee (SROC) is supported by the Market Risk Committee (MRC) and Technology and Cybersecurity Risk Committee (TCRC) (Figure 1). SROC conducted regular engagements to deliberate areas of emerging concerns to pre-empt a build-up of systemic risk in the capital market.

The SC engaged other regulators such as Bank Negara Malaysia (BNM) and the Labuan Financial Services Authority (Labuan FSA) to identify systemic risk concerns which may impact the Malaysian capital market. Issues deliberated include the global banking turmoil in March 2023, persistent inflation and ESG risks. Such engagements enabled timelier and more co-ordinated inter-agency response, when required. The domestic equity and bond markets, foreign fund flows and trade participation were also monitored for potential stress points.

FIGURE 1
Systemic risk governance structure

In 2023, the SC has reviewed its Crisis Management Framework to enhance operational processes and guidance aimed at better crisis response co-ordination within the SC. In view of the significant change in market dynamics post the COVID-19 pandemic, a three-day Capital Market Crisis Preparedness and Management Programme was jointly organised with the Toronto Centre to reinforce the SC's organisation-wide crisis preparedness. The programme aimed to ensure the adequacy and relevance of organisational crisis preparedness while identifying areas for enhancement in relation to market crisis response capabilities moving forward.

The SC also conducted several thematic assessments on topics such as the Silicon Valley Bank (SVB) collapse, Additional-Tier 1 (AT1) bonds, funds stress test and investor fund flows. In the first quarter of 2024, the SC will publish its second *Capital Market Stability Review* which contains an overall assessment of risks in the Malaysian capital market and a discussion on relevant drivers of systemic risk.[1]

CAPITAL-RAISING

Equity

In 2023, equity fundraisings continued to register a higher number of equity applications submitted to the SC, compared to 2022.

TABLE 1
Equity applications

No. of applications	2023	2022
Received during the year	22	20
Considered	18	18
Approved	18	16

TABLE 2
Service charter performance – equity applications

Measure	Target	Results	
		2023	2022
No. of equity applications processed within time charter[2]	90%	99%	100%

TABLE 3
Equity prospectuses and other documents

Equity applications	2023	2022
Prospectus	6	19
Abridged prospectus	11	15
TOTAL	**17**	**34**

Out of the 22 equity applications received by the SC in 2023, nine of which were for initial public offerings (IPOs), two in relation to a proposed acquisition resulting in a significant change of business direction or policy, and 11 for transfer of listings to the Main Market of Bursa Malaysia Bhd (Bursa Malaysia) (Table 1). A further seven applications had been brought forward from 2022 (Please refer to Table 1A on page 61 for Detailed Statistics).

Out of this total, 18 applications were considered while two were withdrawn and nine remained under review as at year-end. On average, five rounds of queries were raised per equity application considered, 99% of which were raised within time charter (Table 2).

The SC also registered 17 equity prospectuses in 2023, comprising six IPO prospectuses and 11 abridged prospectuses in relation to fundraising by listed corporations (Table 3).

Corporate Bonds and Sukuk

TABLE 4
Corporate bonds and sukuk lodgements

Lodgements during the year	2023	2022
No. of lodgements	64	62

TABLE 5
Corporate bonds and sukuk applications

Applications during the year	2023	2022
No. of applications	2	2
Considered	2	2
Approved	2	2

In 2023, the number of corporate bonds and sukuk lodgements[3] remained stable with 64 corporate bonds and sukuk lodgements made with the SC compared to 62 lodgements in the previous year (Table 4). Sukuk accounted for 67% of the number of lodgements, as well as 57% of the nominal value in relation to ringgit-denominated instruments (sukuk RM98.26 billion; total

[1] The *Capital Market Stability Review* is available on https://www.sc.com.my/resources/cmsr.
[2] Based on number of queries issued:
(i) first round of query raised within 10 Market Days (MDs) from receipt of complete submission; and
(ii) subsequent queries raised within five MDs from receipt of complete replies.
[3] Pursuant to the Lodge and Launch Framework for Unlisted Capital Market Products (LOLA Framework).

RM171.26 billion) and 80% of the nominal value for foreign currency-denominated instruments (sukuk US$40.00 billion; total US$50.00 billion) (Please refer to Table 4A on page 61 for Detailed Statistics).

The SC also received two corporate bonds applications with a nominal amount of RM0.22 billion in 2023, compared to two corporate bonds applications with a nominal amount of RM0.37 billion received in 2022 (Table 5). Both applications had been considered and approved as at year-end (Please refer to Table 5A on page 62 for Detailed Statistics).

TABLE 6
Corporate bonds and sukuk-related documents

No. of documents	2023	2022
Lodgement of trust deed/supplemental trust deed	107	70
Deposit of information memorandum/ lodgement of disclosure document	62	52
Lodgement of product highlights sheet	3	1
Registration of abridged prospectus	2	-

A total of 174 documents were received in 2023 compared to 123 documents received in 2022, representing a 41% increase in corporate bonds and sukuk related documents received by the SC (Table 6).

Take-overs and Mergers

TABLE 7
Take-overs, mergers and compulsory acquisitions

Applications and documents considered	2023	2022
Clearance of offer/scheme documents	10	18
Clearance of independent advice circulars (IACs)	13	25
Clearance of whitewash[4] circulars	4	3
Applications for exemption from mandatory offer obligation	19	11
Other applications	16	20
TOTAL	**62**	**77**

TABLE 8
Service charter performance – take-overs and mergers

Measure	Target	Results	
		2023	2022
Offer documents cleared within 21 calendar days from receipt of take-over offer notice	100%	100%	100%
IACs for take-over offers cleared within 10 calendar days from offer document dispatch date		100%[5]	100%
Scheme document and independent advice letter for schemes cleared within 35 calendar days from date of announcement by offeree board to table the resolution for the scheme to shareholders for approval		100%	100%[6]

The SC administers the *Malaysian Code on Take-overs and Mergers 2016* (Code) and *Rules on Take-overs, Mergers and Compulsory Acquisitions* (Rules) to ensure that the acquisition of control takes place in an efficient, competitive and informed market. The SC also focuses on the conduct of relevant parties to ensure that shareholders of the offeree company are treated fairly, given the opportunity to decide on the merits of a take-over and are afforded equal treatment by an offeror.

The SC periodically reviews take-over policies to ensure that the requirements provide an orderly framework within which take-overs, mergers and compulsory acquisitions are conducted. To this end, public consultation or engagement with various interest groups are organised to seek feedback.

In 2023, the SC considered a total of 62 applications under the Rules compared to 77 applications in 2022. This was mainly due to the lower number of take-over offers/schemes and exemptions for the mandatory offer obligation pursuant to the whitewash procedures undertaken during the year (Table 7).

[4] Whitewash refers to an exemption from mandatory offer obligation arising from the issuance of new securities, granted by the SC subject to fulfilment of the stipulated conditions including approval from independent holders at a general meeting.
[5] Includes one application where extension of time was granted to submit an IAC to the SC and dispatch the same to shareholders.
[6] Includes one application where extension of time was granted to dispatch the circular and independent advice letter for the scheme.

The SC cleared 10 offer documents involving a total offer value[7] of RM5.53 billion or an average of RM553.43 million per offer. This represented an increase of RM3.43 billion against the previous year (2022: 18 offers with total offer value of RM2.10 billion, averaging RM116.93 million per offer). Three of the 10 offers were undertaken by way of schemes, similar to 2022.

The largest offer in 2023 was by Sime Darby Enterprise Sdn Bhd (a wholly owned subsidiary of Sime Darby Bhd) for the remaining shares in UMW Holdings Bhd. At RM2.27 billion in offer value, it accounted for 41% of the total offer value in 2023. Other notable offers in terms of offer value include the offers by Lembaga Tabung Angkatan Tentera (LTAT) for the remaining shares in Boustead Plantations Bhd at RM1.96 billion and in Boustead Holdings Bhd at RM703.25 million. The remaining offers were significantly smaller and comprised the offers for Ewein Bhd, Cyberjaya Education Bhd (formerly known as Minda Global Bhd), Damansara Holdings Bhd, Systech Bhd and MBf Corporation Bhd, NCB Holdings Bhd and Ajiya Bhd, all of which had offer values below RM100 million each.

Of the 10 offers in 2023, seven were in relation to offeree companies listed on the Main Market, one in relation to an offeree company listed on the ACE Market (Systech Bhd) and two in relation to an unlisted public company (MBf Corporation Bhd and NCB Holdings Bhd). There were fewer privatisation exercises with only three proposed in 2023 (2022: five privatisation exercises). Two of the companies have since been successfully delisted from the stock exchange as at 31 December 2023.

Sector-wise, the consumer products and services sector was the highest in terms of offer value with RM2.34 billion, representing 42% of the total offer value or 20% of the total number of offers and comprised the offers for UMW Holdings Bhd and Cyberjaya Education Bhd (formerly known as Minda Global Bhd). This was followed by the plantation sector with a total offer value of RM1.96 billion, representing 35% of the total offer value or 10% of the total number of offers, and comprised the offer for Boustead Plantations Bhd.

The SC also cleared 13 IACs, nine of which were in relation to take-over offers/schemes and four in relation to exemptions from the mandatory offer obligation pursuant to the whitewash procedures (2022: 25 IACs). Four whitewash circulars were also cleared in relation to exemptions from the mandatory offer obligation (2022: 3 whitewash circulars). Notwithstanding the moderation in take-over and merger activities compared to the preceding year, the number of applications for exemptions from having to undertake a mandatory take-over offer increased from 11 in 2022 to 19 in 2023. Six applications were related to whitewash exemptions while the remaining 13 applications involved acquisitions or transfer of shares within members of a group of persons acting in concert pursuant to succession planning or internal reorganisation exercises.

The SC also considered 16 applications for various matters under the CMSA and the Rules, including applications relating to appointment and/or resignation of directors of the offeree during the offer period and applications for extension of time to meet certain obligations under the Rules.

[7] The value of the total number of securities subject to the offer/scheme based on the offer price.

INVESTMENT MANAGEMENT AND PRODUCTS

Collective Investment Schemes and Private Retirement Schemes

TABLE 9
Applications for collective investment schemes[1] and private retirement schemes

(i) Applications	Considered		Approved	
	2023	2022	2023	2022
Authorisation of collective investment schemes	**22**	**40**	**22**	**40**
– Unit trust funds	22[2]	39[3]	22	39
– Exchange-traded funds	-	-	-	-
– Real estate investment trusts	-	1	-	1
Authorisation of private retirement funds	4	16	4	16
Exemption/variation from guidelines	5	2	5	2
Other applications	20[4]	31[5]	20	30
Registration of prospectuses/disclosure documents	304	126	304	126
Registration of deeds	303	221	303	221
TOTAL	**658**	**436**	**658**	**435**

Note:
1 Consists of unit trust funds, exchange-traded funds, real estate investment trusts and wholesale funds.
2 Includes 7 funds which were also qualified as SRI funds.
3 Includes 6 funds which were also qualified as SRI funds.
4 Includes 5 applications seeking qualification as SRI funds.
5 Includes 20 applications seeking qualification as SRI funds.

In 2023, the SC considered 658 applications relating to collective investment schemes (CIS) and private retirement schemes (PRS), comprising applications to establish new funds, register prospectuses and disclosure documents, register deeds and other ancillary matters. This is an increase of 50.9% compared to 436 applications considered in 2022, primarily due to an increase in the registration of deeds, prospectuses and disclosure documents. The management companies of unit trust funds and exchange-traded funds, as well as PRS providers, updated these documents during the year, ahead of the end of the transitionary period for compliance with certain provisions of the relevant CIS guidelines[8] in 2023 (Table 9).

The SC also received 44 lodgements in relation to wholesale funds under the Lodge and Launch Framework for Unlisted Capital Market Products (LOLA Framework) for sophisticated investors, compared to 45 in 2022.

8 The SC had revised the *Guidelines on Unit Trusts Funds* in December 2021, *Guidelines on Private Retirement Schemes* and *Guidelines on Exchange-Traded Funds* in September 2022 to promote competitiveness and innovation within a balanced and proactive oversight regime.

TABLE 10
Service charter performance – CIS

Service	Measure	Target	Results	
			2023	2022
Authorisation of new unit trust fund	Decision issued within: • 10 business days from the date of receiving the complete submission (for submission under the expedited approval process) • 21 calendar days, excluding public holidays (for submission received under the standard authorisation process) subject to the management company having fully addressed all the SC's comments	90%	99%	99%

Investment Products

TABLE 11
Structured warrants considered

Structured warrants	2023	2022
No. of eligible issuers	7	7
No. of base prospectuses registered	7	7
No. of supplementary prospectuses registered	20	22
No. of term sheets registered	1,515	1,456

In 2023, the SC registered 1,515 term sheets for the offering of structured warrants, representing a 4% increase from 1,456 term sheets registered in 2022 (Table 11). Further, one new eligible structured warrants issuer registered its first structured warrants term sheet in 2023. These developments highlight the structured warrants market's role in Malaysia's capital market ecosystem, offering investors a wide range of investment opportunities as investors continue to seek avenues for portfolio diversification and potential returns.

TABLE 12
Service charter performance – investment products

Service	Measure	Target	Results	
			2023	2022
Registering a base prospectus for the offering of structured warrants	Registration of base prospectus before the intended date of the base prospectus, upon receipt of a complete application at least 14 market days prior to the intended date of registration of the base prospectus	100%	100%	100%
Registering a supplementary base prospectus for the offering of structured warrants	Registration of supplementary base prospectus before the intended date of the supplementary base prospectus, upon receipt of a complete application at least three market days prior to the intended date of registration of the supplementary base prospectus		100%	100%
Registering term sheets for the offering of structured warrants	Registration of term sheet before the intended date of the term sheet, upon receipt of a complete application at least one market day prior to the intended date of registration of the term sheet		100%	100%

GATEKEEPING

The SC ensures that only fit and proper persons are licensed or registered to conduct capital market activities. A thorough assessment of each application will be made prior to its approval including conducting adverse checks with other regulators and authorities (Table 13 and Table 16). In 2023, all the Capital Markets Services Licence (CMSL) and Capital Markets Services Representative's Licence (CMSRL) applications were attended to within the service charter (Table 14).

There has been a significant increase in the number of approved new CMSL holders and registered entities compared to 2022. 44% of the approved CMSL holders were in relation to the regulated activity of fund management, while another 25% were for the regulated activity of financial planning. There were 13 new registered entities which includes three Digital Asset Custodians (DACs). As of 31 December 2023, 864 CMSRL applications were approved and the total number of CMSRL holders stood at 10,272.

TABLE 13
Status of licensing and registration applications

Application for new CMSL	2023	2022
New applications received	8	18
Brought forward from previous year	18	10
Approved	16[1]	6
Returned or withdrawn	5	4
Application for new CMSRL		
New applications received	931	1,094
Brought forward from previous year	51	58
Approved	864	1,042
Returned or withdrawn	65	190
Application for registration[2]		
New applications received	15	19
Brought forward from previous year	8	6
Approved	13	9
Returned or withdrawn	6	8

Note:
1 Six approved-in-principle (AIP).
2 Excluding recognised market operators (RMOs).

TABLE 14
Service charter performance – licensing of CMSL and CMSRL

Service	Measure	Target	Results	
			2023	2022
New CMSL application	Within six weeks of receiving complete application	100%	100%	100%
New CMSRL application	Within two weeks of receiving complete application		100%	100%

During 2023, there were three CMSL holders which had surrendered their licences as they were no longer in the business of the regulated activity(ies) for which they were licensed. In addition, 961 CMSRL holders had surrendered their respective licences and one CMSRL holder's suspension that was imposed pursuant to section 72(3) of the *Capital Markets and Services Act 2007* (CMSA) in 2022, had ended on 21 June 2023 (Table 15).

TABLE 15
License or registration ceased, revoked and suspended

CMSL holders	2023	2022
Ceased, revoked or suspended	3	3
CMSRL holders		
Ceased, revoked or suspended	962	1,068
Application for registration[1]		
Ceased, revoked or suspended	8	6

Note:
[1] Excluding RMOs.

In 2023, the SC registered nine RMOs, consisting of four e-services platform (ESP) operators, two ECF platform operators as well as one P2P platform operator, one digital asset exchange (DAX) and one general RMO.

The reopening of applications was announced on 31 October 2022 as part of several digital-focused initiatives to spur further growth in the capital market. It had resulted in an expansion in the breadth of choices available to investors and issuers in this segment with the number of registered RMOs increasing from 33 in 2022 to 42 in 2023.

TABLE 16
Status of recognised market operators

No. of applications	2023
Considered during the year	**15**
Registered	9
Returned	3
Withdrawn	3
For consideration	**20***
Brought forward from previous year	3
Received during the year	17

Note:
* Include applications submitted by two entities seeking to be registered for two different activities.

SURVEILLANCE

The SC undertakes proactive surveillance across the various market segments under its purview to detect potential misconducts and identify vulnerabilities which allows emerging risks to be pre-empted through early engagements and interventions.

Detecting and Deterring Corporate Transgressions

The SC plays an important role in monitoring the conduct of public-listed companies (PLCs) through its surveillance efforts to ensure compliance with securities laws and regulations, with the aim to safeguard the interests of investors and maintain the integrity of the capital market. The SC's Corporate Surveillance Programme comprises a wide range of activities, including scrutinising corporate transactions, disclosures as well as the financial statements of PLCs to detect irregularities or potential misconduct.

PLC fundraising via share issuances and disclosures on corporate transactions remained a key priority of the SC's surveillance team in 2023. Surveillance reviews pertaining to 118 PLCs were undertaken based on, among others, announcements by PLCs, news in mainstream and non-mainstream media as well as complaints received to detect potential breaches of securities laws or non-compliance with financial reporting standards. As part of the reviews, the SC also engaged with the directors, officers, auditors and other

professionals of the PLCs involved for further fact-finding. These engagements also served to remind directors of the need to consistently act in the best interest of the companies and their shareholders.

The surveillance reviews undertaken highlighted some concerns relating to disclosures, utilisation of funds raised and the application of financial reporting standards. Where irregularities or possible securities law breaches were detected, they were escalated for formal investigation and/or enforcement action. Where relevant, Bursa Malaysia was also engaged in matters requiring closer scrutiny on their part as the frontline regulator.

In 2023, the SC strengthened its surveillance approach, targeting specific areas of concern for review, resulting in more effective and efficient detection of potential misconduct. As a result of a more targetted approach, 166 reviews of potential corporate misconduct were completed (2022: 317 reviews), with eight cases being referred for formal investigation (2022: 4 cases).

Fostering Compliance with Take-over and Merger Regulations

As part of its mandate, the SC also closely monitors compliance with the take-over requirements to detect misconduct and breaches which could jeopardise the interests of the investing public. In 2023, the SC had imposed sanctions comprising a directive to sell down shares, penalty of RM500,000 and reprimand against certain parties for failure to undertake a mandatory take-over offer following the acquisition of shares which exceeded the creeping threshold, i.e. exceeded 2.0% of the voting shares within a period of six months. In addition, the SC had also issued Infringement Notices for other non-compliances detected including for submitting the application for exemption after the mandatory offer obligation was already triggered and non-compliances relating to dealings in securities during the offer period and/or disclosure of information to the SC (Table 17).

TABLE 17
Surveillance outcomes

Surveillance outcomes	2023	2022
Administrative actions*	1	2
Infringement Notices*	5	5

Note:
* Statistics also reflected under the SC's administrative actions (Table 25) and Infringement Notices (Table 26).

Further, the SC seeks to pre-empt major issues in take-overs and other relevant transactions by encouraging early consultation to clarify the application of the Code/Rules governing such transactions. In 2023, consultations with the SC involved diverse aspects of take-over regulations including on ultimate offeror, joint offeror and concert party matters, triggering of the mandatory offer obligation and eligibility for exemption, conditions and pre-conditions to offers, favourable deals and frustration of offers, restrictions following offers and possible offers, disqualifying transactions in relation to whitewash procedures and other general enquiries. Through the consultation process, the SC fostered a conducive environment for the SC to provide relevant clarifications and guidance, with the aim to enhance stakeholders' adherence to the regulatory requirements for take-over and merger transactions.

During 2023, the SC and Bursa Malaysia also conducted several dialogues with the board of directors of companies to be listed on the Main Market or the ACE Market on pertinent requirements to be observed by listed companies, including the key take-over regulations, prior to the companies' listing. This initiative served as crucial forums for disseminating essential regulatory requirements and promoting a better understanding among newly listed companies.

Apart from the SC's interaction with advisers during the review of applications or consultations, the SC also engaged practitioners to discuss complex issues and to clarify expectations on compliance with take-over requirements. On 28 July 2023, a focus group meeting was held between the SC, Bursa Malaysia and 20 participating legal firms to discuss various corporate finance and investment-related matters, including take-overs and mergers. Further, on 5 October 2023, the SC hosted a dialogue on current take-over and merger issues, which was attended by representatives from 26 advisory firms and the Malaysian Investment Banking Association (MIBA). These engagements enabled the SC to remain vigilant and stakeholder-focused in ensuring that the regulation of take-over activities in Malaysia remains aligned with the evolving market landscape.

In summary, the SC's multifaceted approach involving proactive monitoring, consultations, educational dialogues and practitioner engagements demonstrates its commitment in maintaining a fair and well-regulated marketplace in Malaysia and underscores its effectiveness in regulating take-over activities.

Maintaining Fair and Orderly Markets through Proactive Surveillance

A central pillar of the SC's approach to market surveillance involves heightened monitoring of trading activities surrounding material corporate developments. This is essential for the detection of potential insider trading activities which undermines market integrity and equal access to information by the investing public. To achieve this, the SC actively stayed attuned to corporate developments from a broad spectrum of sources. The monitoring and assessment of company disclosures, complaints received and referrals from Bursa Malaysia as well as other information sources such as the media remained key surveillance priorities in 2023.

Additionally, the SC leveraged its automated trade surveillance system, complemented by in-house advanced analytics, to identify and analyse suspicious trading activities. This effectively facilitated timely detection of trading irregularities, including those surrounding periods of increased price and volume volatility which, in turn, enabled objective identification of potential market abuse matters and informed decision on appropriate follow-up regulatory actions.

Addressing Trading Anomalies at an Early Stage and Detecting Market Abuses for Further Investigation

The SC remained vigilant in addressing trading anomalies that could pose potential risks to the integrity of the market and collaborated closely with stakeholders, utilising a variety of enforcement tools to deter illegal and unethical activities in the capital market.

The SC's market surveillance activities in 2023 involved 1,405 assessments (2022: 1,333 assessments) on trading anomalies detected and in-depth analyses of market abuse cases including possible insider trading and market manipulation. Alongside such market surveillance assessments, regular engagements were conducted with Bursa Malaysia to ensure that co-ordinated regulatory responses by the frontline regulator are proportional to the risks and gravity of surveillance issues detected. Through such collaboration, swift regulatory actions were undertaken to curb abusive trading behaviour at an early stage. Such pre-emptive interventions include the issuance of Surveillance Notices by Bursa Malaysia requiring market intermediaries to promptly address irregularities and take immediate remedial actions.

The SC is committed to striking a healthy balance between the need to ensure orderly trading conduct and facilitating a vibrant marketplace, in line with the SC's dual mandates to develop and regulate the Malaysian capital market. To this end, the SC took into consideration diversity in trading strategies by market participants when reviewing trading activities.

The SC analysed trading patterns and behaviours to distinguish between speculative trading, which is an inherent element of market dynamics, and abusive conduct that would tantamount to market manipulation. Matters pertaining to prevailing areas of concern were prioritised and subjected to expedited review. Where elements of possible market abuse were substantiated, such cases were escalated for further investigation to be conducted.

Leveraging Technology and Advanced Analytics for Greater Efficiency

The SC continued to place strong emphasis on the adoption of Supervisory Technology (SupTech) and data analytics to enhance the efficiency of the SC's regulatory functions.

The SC embarked on initiatives to enhance the quality of trading data feed from Bursa Malaysia as well as the functionality of the SC's surveillance system and analytical tools to facilitate more granular analysis of trading activities. The enhancement is expected to enable the SC to gain greater insights and efficiency in the detection, analysis and decision making on market surveillance matters.

In addition to system-based detection of trading irregularities in the equities market, the SC has deployed SupTech capabilities to enhance its surveillance on unlicensed activities and monitoring of PLCs. A web surveillance tool is now being utilised to conduct ongoing and in-depth monitoring of unlicensed activities to ensure the SC remains vigilant, well-informed and equipped to respond effectively to issues arising from such activities. The SC has also built a platform with a holistic view of PLCs' key financial indicators and integrated SupTech tools to enable automated detection of PLCs' financial health and supervisory concerns. These insights aim to empower data-driven decisions as well as more targeted surveillance and supervisory reviews, to proactively address any concerns.

Strengthening Cross-Border Surveillance Co-operation

The SC continued to maintain close collaboration with international surveillance counterparts through informal channels of information sharing and exchange, and by engaging in dialogues on common surveillance issues during study visits to the SC. Such collaboration and engagements seek to achieve positive surveillance outcomes that mutually benefit the SC and capital market regulators from other jurisdictions.

In order to keep pace with surveillance issues arising in a fast moving market, the nature of co-operation has evolved beyond formal mutual legal assistance channels to informal exchanges of experience with regional surveillance counterparts. Regular contacts have resulted in reciprocity in sharing of experience, information and validation in dealing with certain market surveillance issues and challenges arising. These efforts ensured that the SC's approach on key surveillance concerns are relevant and in line with international best practices.

Ongoing Monitoring and Surveillance over the Corporate Bonds and Sukuk Market

In 2023, domestic bonds yields mostly trended sideways with the 10-year MGS ranging between 3.7% to 4.2%. BNM had increased the OPR by another 25bps in May 2023. Both Malaysia's and the US's Consumer Price Index (CPI) readings have declined as a result of rate hikes by central banks worldwide. From the SC's observations, these events did not have any major impact on domestic corporate bonds issuers' ability to raise funds at competitive rates throughout the year.

As part of the SC's continuous efforts to supervise the corporate bonds and sukuk market, the SC closely monitors corporate bonds issuers under credit stress. Presently, such corporate bonds issuers are minimal (less than 2% of the corporate bonds and sukuk market) and mainly originated from the energy and utilities, real estate and transportation sectors. These issuers have, for example, requested investors' indulgence for extension of time to meet agreed-upon financial ratios, delays in coupon or principal payment as well as other forms of refinancing.

The corporate bonds and sukuk market had witnessed one issuer default in 2023, amounting to RM200 million or only 0.02% of total outstanding corporate bonds and sukuk. Eight rating downgrades were also observed in 2023, compared to seven in 2022. Out of the eight rating downgrades, three were from the real estate sector, two from the financial sector, one from the information technology sector, one from the industrial sector and one from the energy and utilities sector. As for rating outlook, there were 10 issuers with downward revisions in the corporate bonds rating outlook in 2023 compared to 11 in 2022.

Strengthening Bond Market Surveillance Activity

In the corporate bonds and sukuk market, market participants play a very important role in maintaining market integrity, by ensuring compliance with regulations and protecting investors' interest. In this regard, the SC has engaged market participants such as credit rating agencies, bond pricing agency and bond and sukuk trustees throughout 2023, to exchange knowledge, offer insights, and discuss solutions to current and future challenges.

In July 2023, the SC conducted a closed-door discussion with a credit rating agency to exchange insights on the latest developments impacting the Malaysian bond and sukuk market. Among the issues discussed include the outlook post-pandemic, domestic and international interest rate expectations, probability of defaults, rating assignments and challenges and opportunities for the Malaysian bond market. The SC will continue to engage relevant market participants to keep abreast with latest market developments.

SUPERVISION

In addition to its authorisation regime for licensed and registered capital market entities, the SC also operationalises a comprehensive supervisory programme across its spectrum of regulated entities to foster ongoing compliance and enable a holistic assessment of emerging risks and vulnerabilities.

Supervision of Capital Market Intermediaries

The SC continues to adopt a risk-focused supervisory approach over its capital market intermediaries. Its efforts have been directed towards ensuring proper conduct and financial soundness of its intermediaries. To achieve this, the SC employs an array of tools ranging from ongoing desktop reviews that leverage analytics from regulatory submissions and information gathered from ongoing monitoring by its supervisors, structured supervisory assessments on selected intermediaries that are determined based on assessed risks factors, thematic reviews on emerging risks, as well as for-cause assessments which are investigative in nature and originate from complaints received, referrals and supervisory concerns with regards to misconduct (Table 18).

TABLE 18
Supervisory assessments on intermediaries

Assessment type	Number of completed assessments	
	2023	2022
Structured supervisory assessments*	28	41
For-cause assessments	113	70
Thematic industry reviews	2**	1***

Note:
* *The number of intermediaries identified for these assessments are determined through the evaluation of predefined risk factors.*
** *The two reviews involved assessments on the adoption of the Guidance Note on Managing Environmental, Social and Governance Risks by Fund Management Companies and the state of preparedness of capital market intermediaries in complying with the Guidelines on Market Conduct and Business Practices for Investment Analysts. The two reviews covered 93 and 54 capital market intermediaries respectively.*
*** *This review involved an assessment on the standards and controls implemented by stockbroking companies in maintaining appropriate remuneration structures. The review covered all stockbroking companies.*

Arising from its supervisory assessments, the SC issued a total of 41 communications to respective intermediaries on its regulatory concerns and expectations. These comprised both, Infringement Notices for breaches of securities law and/or SC Guidelines and supervisory letters for enhancement concerning controls and processes (Table 19).

TABLE 19
Supervisory outcomes

Supervisory outcomes	2023	2022
Referral for administrative enforcement action	4	1
Issuance of guidance notes	0	2
Industry communication/ engagements	8	6
Issuance of Infringement Notices*	37	30
Issuance of supervisory letters	4	14

Note:
* Statistics also reflected under the SC's Infringement Notices (Table 26).

The SC recognises the importance of an intermediary's culture such as the shared values, beliefs, behaviours and practices that shape its conduct. Intermediaries with good culture demonstrate strong governance, promote fair treatment of customers and protect market integrity. This in turn would translate to intermediaries being less prone to misconduct. Towards this end, in 2023, the SC undertook a survey through issuance of a questionnaire to 286 capital market intermediaries towards better understanding as to culture and practices of these intermediaries. The SC intends to share its findings which include good governance structure and practices towards cultivating and promoting good culture.

In October 2023, the SC held a series of Anti-Money Laundering, Countering Financing of Terrorism/ Proliferation (AMLCFT/PF) Workshops with Compliance Officers of stockbroking, derivatives broking and unit trust/fund management companies to emphasise the crucial role of Compliance Officers in ensuring these intermediaries not only comprehend but also effectively mitigate the risks associated with money laundering, terrorism financing, and proliferation financing. Case studies derived from the SC's enforcement efforts and red flags were also shared.

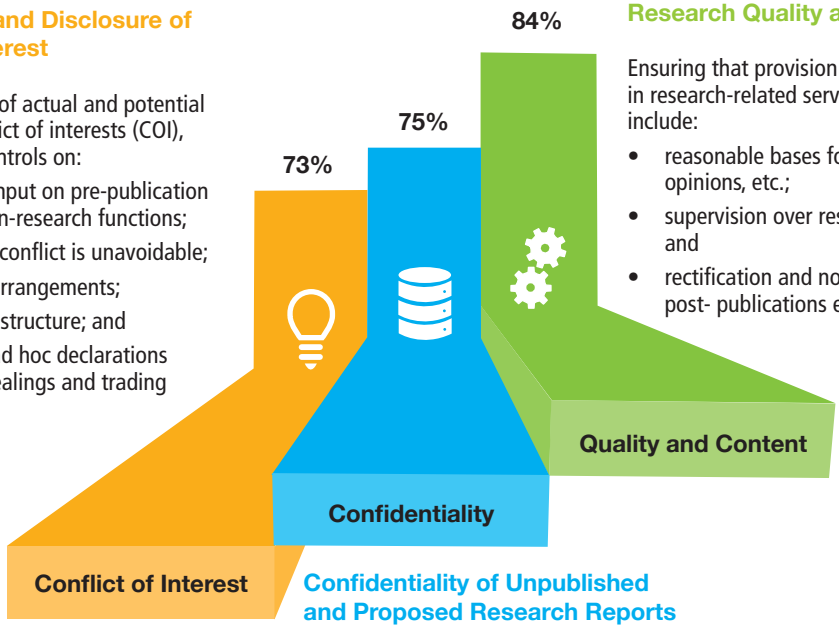
The workshop also featured engaging discussions on case study exercises, covering topics such as risk-based approach i.e. business-based and relationship-based risk assessment, identification of beneficial owner(s), and detection of red flags/unusual transactions. These exercises encouraged participants to share their practical experiences and perspectives, fostering a rich exchange of ideas and solutions.

Thematic Review on the State of Compliance of Capital Market Intermediaries with the Guidelines on Market Conduct and Business Practices for Investment Analysts and their Analysts

Intermediaries licensed for investment advice play an integral role in the capital market industry as they keep investors informed on valuable investment opportunities and challenges, via their research services conducted.

Considering their crucial role within the sector, the SC had issued *Guidelines on Market Conduct and Business Practices for Investment Analysts and their Analysts* (IA Guidelines) in December 2022 that detailed core principles and minimum standards to be observed by Investment Analysts (IA). Following up on the issuance of guidelines, an assessment was carried out to ascertain the current state of compliance of all CMSL IA holders with the requirements of the IA Guidelines.

The assessment which was carried out before the effective date of the IA Guidelines on 8 June 2023, revealed that the majority of CMSL IA holders have been working towards complying with the requirements of the IA Guidelines. However, compliance levels within the industry should be elevated further:



Management and Disclosure of Conflict of Interest

The management of actual and potential situations of conflict of interests (COI), which includes controls on:

- limitation of input on pre-publication reviews by non-research functions;
- events where conflict is unavoidable;
- chinese wall arrangements;
- renumeration structure; and
- periodic and ad hoc declarations of personal dealings and trading activities.

Research Quality and Content

Ensuring that provision of quality information in research-related services, via controls which include:

- reasonable bases for any recommendations, opinions, etc.;
- supervision over research quality and content; and
- rectification and notification of post- publications errors.

Confidentiality of Unpublished and Proposed Research Reports

Regulating the flow of information relating to unpublished and proposed research reports and recommendations, which include controls on:

- information and physical barriers;
- management of material non-public information;
- clear review and approval process; and
- fair dissemination of reports.

These intermediaries' level of compliance will continue to be monitored via ongoing oversight.

Thematic Review on the Adoption of Guidance Note on Managing Environmental, Social and Governance Risks for Fund Management Companies

In June 2022, the SC issued the *Guidance Note on Managing Environmental, Social and Governance Risks for Fund Management Companies* (FMCS) (ESG Guidance Note) which sets the SC's expectation on practices in managing environmental, social and governance (ESG) risks in investment portfolio as well as on stewardship of investee companies. To assess FMCs' adoption of the ESG Guidance Note, in June 2023, the SC issued a questionnaire to all the FMCs in the industry for them to self-assess their own practices against the key expectations in the ESG Guidance Note.

Generally, FMCs' progress on the adoption of the ESG Guidance Note are at differing stages. Most FMCs with AUM of more than RM10 billion (hereinafter referred to as 'Large FMCs') represented that they have considerably adopted the practices recommended in the ESG Guidance Note. Large FMCs contributed 84% of the fund management industry's AUM of RM945 billion as of 30 June 2023. Among others, most Large FMCs represented that:

Governance	Board of Directors set strategic direction for responsible investment framework and it is implemented by senior management.
Policies	Responsible investment frameworks are in place and ESG factors are incorporated in investment processes, decision-making and active ownership.
Risk Management	Material ESG risks in investment portfolio are monitored, assessed and managed on a continuous basis.
Communication with stakeholders	• Engagements with investee companies and voting rights are exercised on material ESG issues. • Inter FMC collaborative engagements on ESG-related matters are held.
Capacity building	ESG-related training provided across various levels of personnel.
Disclosure	FMCs disclose their responsible investment-related objectives, strategies, practices and activities and the disclosures are validated to curb greenwashing risks.

Access to SRI-related resources, data and stewardship as well as sound understanding of relevant complex methodologies would act as catalyst in advancing FMCs' progress in their SRI journey. The SC acknowledges the efforts undertaken by FMCs thus far and will adopt a multi-pronged compliance approach on key recommendations in the ESG Guidance Note which will be announced in 2024.

Supervision of Exchanges and Financial Market Infrastructures

Under securities law, the SC is responsible for approving and supervising operators of securities and derivatives exchanges as well as financial market infrastructures such as clearing houses and central depositories (approved institutions).

As the sole integrated exchange group in Malaysia, Bursa Malaysia is subject to statutory requirements such as operating a fair and orderly market, acting in the public interest with particular regard for the protection of investors, ensuring prudent risk management as well as ensuring sufficient financial, human and other resources.

In 2023, the SC conducted regular supervisory engagements with Bursa Malaysia on issues including governance, risk management, internal audit and controls, commercial strategy, and the effectiveness of its frontline regulatory framework. Such engagements are complemented by ongoing reviews of regulatory submissions and onsite regulatory assessments (RA) on approved institutions.

In January 2023, the SC concluded its RA on the Bursa Suq Al-Sila (BSAS) platform operated by Bursa Malaysia Islamic Services Sdn Bhd (BMIS), a wholly-owned subsidiary of Bursa Malaysia. The assessment focused on processes and procedures in relation to the onboarding of participants, as well as the adequacy and effectiveness of controls in monitoring participants' ongoing adherence with the platform's rules and other applicable Shariah requirements.

While there were no immediate concerns regarding the integrity of the overall structure and system of BSAS, several recommendations were made to Bursa Malaysia, including enhancing BMIS' human resource management and succession planning, as well as strengthening and streamlining the processes for onboarding and supervising its participants.

In June 2023, the SC also conducted a high-level dialogue with the Bursa Malaysia board of directors. The engagement served as a platform for the leadership of both organisations to exchange insights on strategic issues and regulatory concerns.

Supervision of Recognised Market Operators

The regulatory framework for RMOs was designed to be commensurate with the value proposition of this market segment, counterbalanced against risk factors such as size, structure, range of products and services, as well as participant demographics.

The SC's supervisory approach aims to ensure that RMOs continue to operate in a fair and orderly manner in adherence with these regulatory expectations. Supervisory tools deployed include regular engagements with RMOs, reviews of regulatory submissions and assessment of complaints. Focus areas in 2023 include governance, risk management, client/issuer onboarding and due diligence, as well as cyber security and systems integrity.

In May 2023, the SC conducted a thematic review on RMOs' compliance with the SC's *Guidelines on Prevention of Money Laundering and Terrorism Financing for Reporting Institutions in the Capital Market* and the SC's *Guidelines on Implementation of Targeted Financial Sanctions relating to Proliferation Financing for Capital Market Intermediaries* (AML Guidelines).

The thematic review focused on the emerging risks of legal persons and legal arrangements as well as anti-bribery and corruption. The findings from this review provided the basis for several recommendations relayed by the SC to the RMOs during the annual supervisory engagements.

This exercise also formed part of the SC's continuous communication with the RMOs to enhance their understanding of the SC's supervisory expectations, which will facilitate their efforts to ensure ongoing compliance. Moving forward, the SC will continue to monitor the RMOs to ensure that any gap identified is addressed in a timely manner for effective mitigation and management of AMLCFT/PF risks.

Given the growth in the digital assets segment, the SC also intensified its oversight on operators of digital asset exchanges (RMO-DAX) to ensure that key elements of their business operations, including governance, policies and procedures, systems and actual practices, are aligned with applicable regulatory and supervisory requirements.

In 2023, the SC conducted an RA on an RMO-DAX, focusing on the adequacy and effectiveness of its ongoing due diligence framework *vis-à-vis* the SC's AML Guidelines. Arising from the assessment, the SC had identified several areas for enhancement including the need for greater consistency in the implementation of policies and procedures, formal documentation and record-keeping as well as more effective governance and oversight by the board of directors.

Supervision of Self-Regulatory Organization

The SC supervises the Federation of Investment Managers Malaysia (FIMM) in ensuring proper discharge of its regulatory mandate as a self-regulatory organization (SRO) for public interest and investor protection.

A proactive supervisory approach had been operationalised to facilitate effective supervision on FIMM through reporting obligations and engagements with FIMM's board of directors and senior management. The SC also participated in major programmes by FIMM which include the annual general meeting, industry regulatory briefing and FIMM's annual convention to observe supervisory issues and trends concerning marketing, distribution and sales practices involving unit trusts and PRS.

In 2023, it was observed that FIMM had implemented most of the recommendations from the SC's previous RA to further strengthen the effectiveness and efficiency of the registration, supervision and enforcement functions. Additionally, various efforts for industry development, education and financial literacy were also rolled out as part of FIMM's developmental mandate.

Supervision of the Private Pension Administrator

As a central administrator, the Private Pension Administrator (PPA) provides data repository services for members and providers as well as investor education on PRS. The SC's oversight on PPA aimed to ensure that it continued to adopt sound governance practices and discharge its functions effectively within a satisfactory operational framework.

In 2023, PPA continued to provide enrolment and top-up services via the PRS Online platform which remained a key utility for its members and the investing public. Given its role in investor education, PPA also introduced various marketing initiatives and promotional campaigns aimed to spur further growth of the PRS industry.

COMPLAINTS AND ENQUIRIES

To uphold investor protection, the SC has a structured process, system and dedicated resources to manage all complaints and enquiries received from the public.

The SC observed an increasing number of total complaints and enquiries in 2023, compared to the previous year. In 2023, the total number of complaints and enquiries received by the SC were 20% more than 2022. The increase of complaints and enquiries were mainly on scams and unlicensed activities (Table 20).

While the increase in the number of complaints and enquiries in these areas showed that there is greater awareness and scepticism among the public, the SC continued to increase its efforts to curb scams and unlicensed activities through adoption of a multi-pronged approach (Refer to *Special Feature 1, Towards Greater Protection of Investors*).

TABLE 20
Complaints and enquiries received

Outcome	2023	2022
Complaints		
Received	3,145	1,830
Nature of complaints		
– Scams and unlicensed activities	66%	62%
– Licensed or registered persons	6%	7%
– Market misconduct	0%	1%
– PLCs and directors	4%	6%
– Digital or RMOs	2%	3%
– Matters not under the SC's purview	10%	15%
– Others	12%	6%
Enquiries		
Received	2,173	2,606
Nature of enquiries		
– Legality of scheme involving scams and unlicensed activities	55%	51%
– Licensed or registered persons	4%	3%
– PLCs and directors	0%	1%
– Digital or RMOs	2%	2%
– Matters not under the SC's purview	12%	8%
– Others	27%	35%
TOTAL COMPLAINTS AND ENQUIRIES	**5,318**	**4,436**

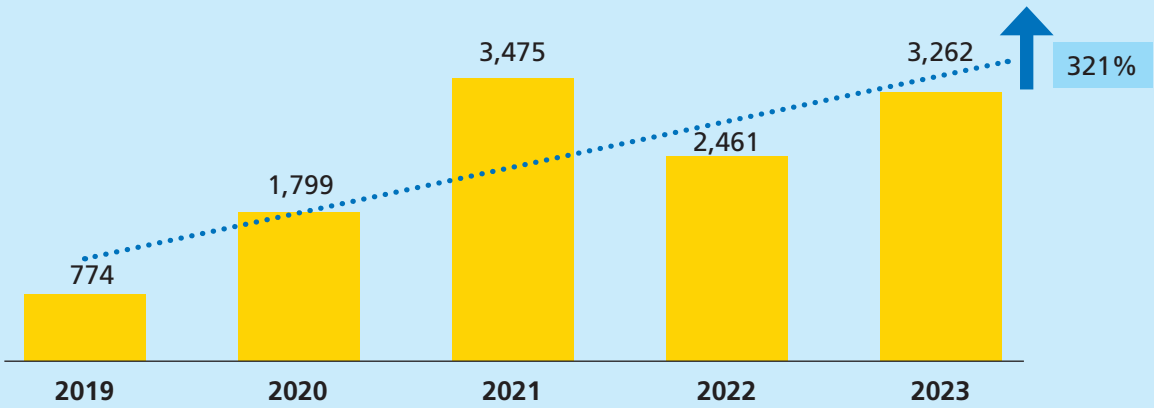
SPECIAL FEATURE 1

TOWARDS GREATER PROTECTION OF INVESTORS

Overview

Over the years, we have seen many occasions where individuals or entities were duped, misled, tricked, enticed and even pressured to part away with their monies and retirement savings by dishonest and fraudulent activities that promise unreal returns and benefits, that are too good to resist. Such activities are also reflected in the increasing number of complaints and enquiries received by the SC, namely on scams and unlicensed activities. In 2023, the SC received 3,262 complaints and enquiries on scams and unlicensed activities. This represents a significant increase of 321% for the past five years from 2019 to 2023.

Complaints and Enquiries on Unlicensed Activities and Scams



In addition to the various types of scams, including investment scams, and unlicensed activities, there were also increasing concerns observed involving the conduct of unlisted public companies (UPCs) and entities offering Cash Trust products.

Investment Scams

Investment scams involve the promotion of non-existent investment products. This occurs where scammers make false claims that the investment will be made into capital market products such as shares or cryptocurrencies, when in fact such investment opportunities or products does not exist.

The fraudulent investment would in most cases offer unusually high returns. In this regard, it is not uncommon, for example, for such schemes to promise 1,000% returns within 24 hours or even within a few hours. Such schemes also offer investment packages which can start from as low as RM300 to about RM1,000 only. In addition to this being seemingly legitimate, it would also enable the scammers to have a wider pool of potential victims, including those under the low-income bracket as such small sums would be more readily available. Further, given that the investment would generally be seen to be less risky with their relatively small investment amount, the target victims may unfortunately also tend to be less risk averse.

In most of these scams the perpetrators used fake websites, social media pages and mule bank accounts to promote and carry out their illegal activities. In many of these cases too, scammers falsely lend credence and legitimacy to their illegal activity by misusing the name of agencies such as the SC, BNM, the Companies Commission of Malaysia (SSM), licensed intermediaries and images of local celebrities and religious leaders. Many of these schemes also falsely claimed to be Shariah compliant to appeal to the sentiment of the Muslim investors.

A common trait noted was the prevalent use of mule bank accounts by scammers. A potential victim will be required to bank in monies into such a mule bank account, and immediately after a deposit is made, the victim will be notified that their investment has made a 'profit'. However, should one decide to withdraw the 'profits', the victims will be asked to make further payments disguised as BNM charges, income tax charges, administrative fees, upfront deposits, etc. These payments will typically be asked to be made into a different mule bank account.

In 2023, the use of social media platforms, particularly Facebook and Telegram, continued to be the primary mode for perpetrators to carry out their illegal activities. New modus observed in 2023, is the use of e-wallet and cryptocurrency as the mode of payment involving investment scams, as compared to mule bank accounts which were used previously. This may be designed to avoid easy detection and prompt interventions by the enforcement agencies.

In cognisance of the perpetrators evolving tactics, the SC continues to undertake ongoing monitoring and supervision to mitigate the risk of its regulated entities being potentially used as conduits for illicit activities.

The SC also observed the evolution of the common job and love scams which now have elements of investment scams as well.

Emerging Scam Trends

The SC continuously monitors and is cognisant of new emerging trends and MO on scams to ensure that appropriate and timely intervention is taken on investment scams. In this regard the following new trends were observed.

Example of Investment Scams Involving Cryptocurrency

The scam is generally offered through social media platforms (mainly Facebook) with an investment opportunity in cryptocurrency promising high returns over a short span of time. Interested clients are directed to open an account with the SC's registered DAX operator and purchase cryptocurrency. Subsequently the cryptocurrency is transferred to a wallet address controlled by the perpetrator. The victim never receives the promised returns and will be asked to make further payments in the form of cryptocurrency, to withdraw the initial investment.

By requesting the victims to transact through the SC's registered DAX operator, the perpetrators have falsely given the victim an impression of legitimacy of the scheme.

Example of Investment Scam Disguised as Job Opportunities

The perpetrator will generally scout for victims through social messaging platforms namely WhatsApp and Telegram. The victim will be paid a token to perform simple tasks such as writing reviews and 'liking' social media pages. Having garnered the victim's trust, the perpetrator will convince the victim to invest in a non-existent cryptocurrency or share scheme that promises high returns. Monies will be requested to be transferred into a mule bank account, which eventually will be dissipated.

Example of Investment Scam through Dating Apps

The perpetrator will normally befriend the victim through social media or dating sites. After luring the victim into a romantic relationship, the perpetrator will convince the victim to invest in a non-existent cryptocurrency or share scheme with guaranteed high returns. The victim will be asked to deposit the monies into a mule bank account. Eventually, the victim will realise that the relationship is a scam and monies investment have been misappropriated.

Unlicensed Activities

Unlicensed activities are regulated activities carried out by persons in Malaysia without the requisite licence or registration. Section 58(1) of the CMSA requires a person to hold a CMSL or be a registered person to carry on a business in any regulated activity or hold himself out as carrying on such business.

There are eight types of regulated activities, and they are contained in Schedule 2 of the CMSA which includes dealing in securities, dealing in derivatives, fund management, investment advice, etc.

Section 58(4) CMSA further provides that any person who carries on the business of regulated activity without a license or registration commits an offense and be liable to a fine not exceeding 10 million ringgit or to imprisonment for a term not exceeding 10 years or to both.

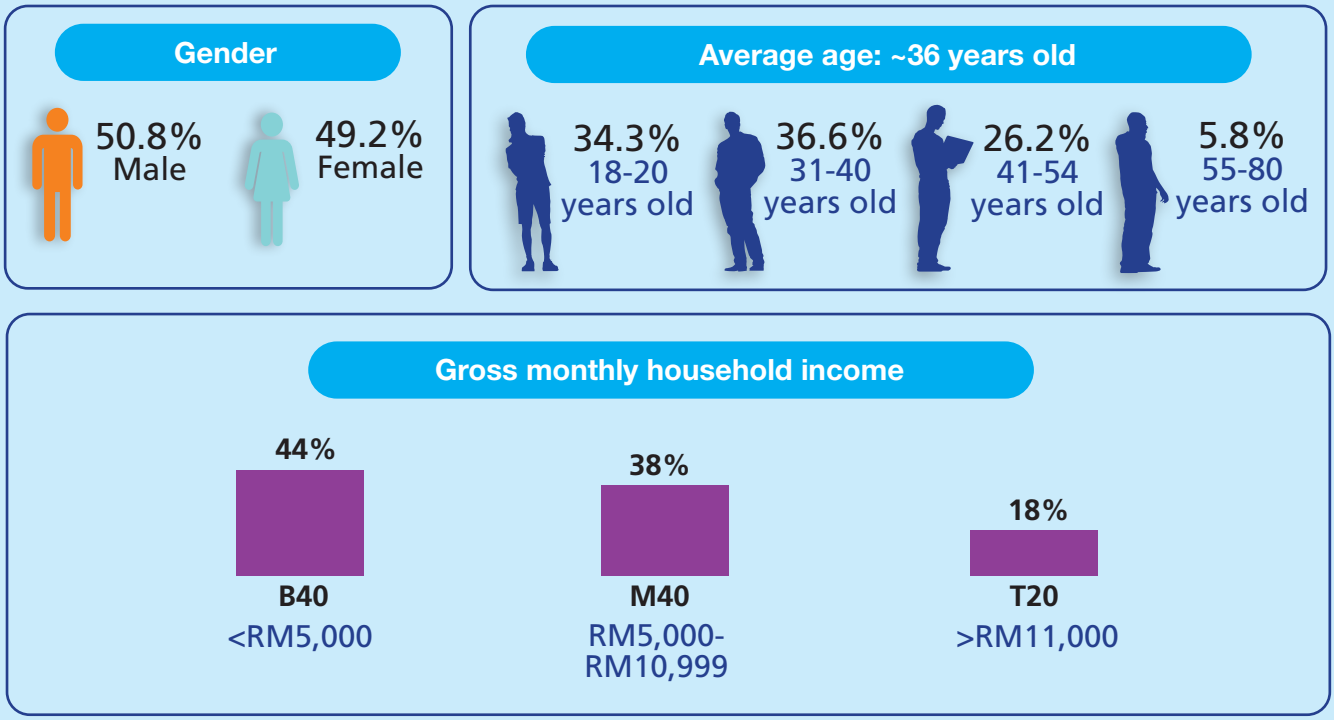
Separately, those who engage in operating a P2P financing platform, ECF, DAX or Initial Exchange Offering (IEO), must be registered as a recognised market operator with the SC under section 34 of the CMSA.

The SC regularly receives complaints and enquiries on operators of such unlicensed activities who may not necessarily be carrying out a scam. While some of the unlicensed activities are carried out locally by Malaysians with local presence, there are also foreign entities carrying on unlicensed activities in Malaysia. These foreign entities may be properly licensed or regulated by foreign regulators. However, they would still be breaching Malaysian laws if they carry out their activities in Malaysia, solicit Malaysian clients or have a local presence in Malaysia without the requisite license or registration from the SC.

Behavioural Analysis on Investor Vulnerability to Scams

With many investors now being at a greater risk of becoming victims of financial frauds and financial exploitation, the SC had in 2023 carried out a behavioural analytics study to assess investors' behaviour and attitude towards investment, challenges and capabilities in their investment journey and their vulnerability towards scams.

The study was done through a survey of 1,302 respondents comprising the following demographics:



Based on the sampling, the results showed that 384 out of 1,302 or 30% of the respondents were more susceptible to scams. From this susceptible group, the following observations were made:

- 59% were male;
- 34% were young adults aged 31 – 40 years;
- 44% belong to the B40 households; and
- 70% held at least a diploma qualification.

The study also showed that the vulnerable group relied on family and friends to make investment decisions rather than relying on their own judgment, experience, and knowledge. They were also more persuaded to invest in a scheme following the influence of unlicensed and unqualified individuals. These findings imply an increased willingness by this group to be exposed to investment opportunities that includes scams.

The findings from the study have assisted the SC to better understand the profile of the vulnerable investor group and served as an important input when formulating the necessary interventions through targeted outreach programmes.

Efforts Taken to Curb Scams and Unlicensed Activities

The SC adopts a multi-prong approach to curbing scams and unlicensed activities ranging from enforcement actions to investor education and awareness programmes.

Enforcement Actions

In 2023, the SC took enforcement action against several entities for carrying on unlicensed activities such as unlicensed Investment Advice, Fund Management and operating a recognised market without authorisation. Some of the notable actions taken were against Huobi Global Ltd for operating a DAX in Malaysia without registration. This is in furtherance to similar actions taken by the SC against unregistered DAX such as the enforcement actions taken against Binance and Remitano in 2021. Additionally, criminal charges were also preferred by the SC against Muhamad Fadzli Jamaludin for carrying on an unlicensed activity in fund management.

- Read more on media release 'SC Charges Former Company Director for Unlicensed Capital Market Activities'
  https://www.sc.com.my/resources/media/media-release/sc-charges-former-company-director-for-unlicensed-capital-market-activities

- Refer also to the box article, *Multi-Pronged Approach Adopted by the SC to Address the Regulatory Concern Arising from Proliferation of Unlicensed Investment Advice* on actions taken to address concern on unlicensed investment advice.

TABLE 1
Intervention efforts on scams and unlicensed activities

Intervention efforts	2023	2022
Commencement of enforcement action	4	7
Issuance of Notices of Cease and Desist*	5	6
Social media interventions	420	142
Inclusion in the SC's Investor Alert List	315	304
Blocking of websites with assistance from Malaysian Communication and Multimedia Commission (MCMC)	146	185
Request to block Telegram accounts	153	114
Referrals to other agencies/foreign regulators	128	181
Lodgement of police reports	97	88
Geo-blocking of Facebook accounts	83	38
Blocking of Instagram accounts	12	9

Note:
* Statistics also reflected under the SC's Infringement Notices.

Investor Alert List and Cyberspace related Interventions

The SC has and will continue to proactively disrupt the activities of the scammers and operators of unlicensed activity. In this regard, the SC included the names of entities and individuals found to be carrying on scams or unlicensed activities on the SC's Investor Alert List as soon as possible where in most cases this is done within 48 hours of receipt of complaints.

In addition, the SC also with the assistance from the Malaysian Communications and Multimedia Commission (MCMC) blocked websites that were found to be carrying out scams and unlicensed activities. Furtherance to this, the SC also collaborated with social media providers such as Meta Platforms Inc (Facebook), Google LLC etc. to geo-block offending social media pages.

Proactive Surveillance of Unlicensed Activities

In addition to taking actions based on complaints and enquiries received, the SC has a dedicated unit to proactively monitor and detect online unlicensed activities and scams offered to Malaysians.

As of 31 December 2023, a total of 569 URLs (2022: 382 URLs) have been detected involving various websites and social media platforms for potential breaches on offering unlicensed activities to Malaysians. Of these, 51% are from Telegram, 27% are from Facebook, 9% from Instagram and 13% from other sources such as websites, YouTube, TikTok, etc.

Investor Empowerment

The SC's investor empowerment initiative, InvestSmart®, carried out various activities to promote investment literacy and awareness on unlicensed activities and scams to members of the public. InvestSmart® continues to utilise various digital and online tools including social media channels like Facebook, Instagram, Twitter, TikTok and YouTube to reach out to the Malaysian public with timely alerts, reminders, and guidance to avoid unlicensed activities and scams. In designing the messaging and content, the InvestSmart® was guided by the insights and information gleaned from complaints and enquiries received as well as findings from the survey studies conducted.

In line with this, the InvestSmart® continued to carry out various anti-scam awareness initiatives in 2023 which includes the following:

- Regular postings (posters and videos) on social media platforms e.g. Facebook, Instagram, Twitter, TikTok and YouTube;
- Organise InvestSmart® webinars;
- Media releases;
- Speaking engagements;
- TV and radio interviews; and
- Public service announcements (PSA) in collaboration with the Malaysian Ministry of Communication.

Details of the SC's investor education initiatives are in Part 4.

Task Force on Scams and Unlicensed Activities

In early 2023, an internal Task Force on Unlicensed Activities/Scams was set up to provide greater focus on identified areas to suppress the proliferation of unlicensed activities/scams. Some of the notable outcomes of the Task Force were as follows:

- Enhancement to the SC's Investor Alert List page to make it more robust, dynamic and mobile friendly.
- Development of a tool within SC's website called the 'Investment Checker' which serves as a one-stop-center for the public to check and verify on the legitimacies of entities and individuals.
- Engagement with Jabatan Kemajuan Islam Malaysia (JAKIM) to include anti-scam themed Friday sermon *'Jerat Serupa Jerami'* for mosques in the Federal Territory which was live telecasted on Radio Televisyen Malaysia (RTM).
- Development of 'Scam Meter' page within the SC's website to help identify and increase awareness of common scam indicators in investment opportunities.
- Four radio and two TV interviews were done to spread awareness on scams and unlicensed activities.

Heightened Concerns on Activities by Unlisted Public Companies and Entities Offering Cash Trust Products

In addition to scams and unlicensed activities, the SC also observed certain possible adverse conduct by UPCs that typically offers preference shares and entities offering Cash Trust products. The SC's review suggests that there are concerns on possible breaches of the securities laws including offering of shares by UPCs to retail investors without registering a prospectus with the SC.

In this regard, several investigations have been initiated by the SC involving UPCs and entities offering Cash Trust products. These include possible breaches of section 58 (requirement for capital market services license), section 232 (requirement to register the prospectus in relation to securities) and section 179 (use of manipulative and deceptive devices) of the CMSA.

Specifically on UPCs, the SC is also concurrently reviewing its current regulatory framework to consider introducing the requirement for assessment and due diligence to address any gaps that is detrimental and harmful to the investors.

Multi-Pronged Approach Adopted by the SC to Address the Regulatory Concern Arising from Proliferation of Unlicensed Investment Advice

In 2023, the SC meted out several enforcement actions against unlicensed investment advisers. This was in response to the regulatory concerns arising from the increase in the proliferation of such self-styled investment gurus since 2020. The *modus operandi* of these unlicensed investment gurus is to give out investment advice in the form of stock tips in seminars, WhatsApp groups or Telegram groups. Interested members of the public would need to pay subscription fees to join exclusive support groups where the operator would disseminate the investment advice. These include buy, sell, and cut-loss calls with target price of specific counters.

In April 2023, the SC reprimanded and imposed a fine of RM303,376.00 against Logeswaran Balasubramaniam for breach of section 58 of the CMSA for carrying on a business in a regulated activity of providing investment advice to others concerning securities without holding a CMSL. Similar enforcement actions were also taken in 2023 against Asma Nasarudin and Andrew Ng Gim Meng where they were reprimanded and imposed fines of RM257,000 and RM248,140 respectively.

These outcomes are part of, and continuance of the enforcement actions and other interventions initiated since 2020, when there was a notable surge in the number of complaints received by the SC on unlicensed investment advisers which typically employ the *modus operandi* described above. This increase coincided with the surge in interest from retail investors to participate in the stock market in that year where it was reported that there was a 236% increase in the retail participation on Bursa Malaysia compared to 2019 with 167% increase in the number of new Central Depository System (CDS) accounts opened.

Prior to the actions in 2023 as above, in November 2022, the SC also charged four individuals namely Muhamad Afiq Md Isa, Natasha Mohamed Taufek, Tan Soon Hin and Teh An See in court for breach of Section 4(1)(b) of *Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001* (AMLATFPUAA) for receiving and transferring proceeds from unlawful activity, namely unlicensed investment advice. In addition concurrent enforcement actions were also taken against these individuals, where in 2023, the SC reprimanded and imposed a fine of RM1,975,570.88 against Muhamad Afiq Md Isa, RM6,579,922.75 against Teh An See and RM517,500.00 against Tan Soon Hin, for breach of section 58 of the CMSA for carrying on a business in a regulated activity of providing investment advice to others concerning securities without holding a CMSL.

From 2020 to 2023, the SC also took various other interventions against the operators of such schemes such as issuance of 31 cease and desist notices, blocking of 29 websites and inclusion of 53 names on the *Investor Alert List*.

The proliferation of unlicensed investment advisers raises several concerns. The obvious one would be that the investing public would be receiving investment advice from unqualified individuals. Investment advice rendered needs to be underpinned by cogent and sound reasoning based on research carried out by experts in the field. SC imposes strict requirements on those who wish to obtain an investment advice license. They will be required to possess certain qualification, pass stringent examinations, and must be assessed to be fit and proper before they can be issued with a license. In the hands of an unlicensed investment adviser, these objectives would not be met and consequently be detrimental to the investing public. Further, investors who deal with these unlicensed investment advisers would have limited access to legal recourse in the event of a dispute.

Other than receiving advice from unqualified individuals and having limited access to legal recourse, certain unlicensed investment advisers may use their influence to carry out a 'pump and dump' scheme. They could urge their followers to trade in a particular counter in order to create an interest to manipulate the market for their benefit. This way, unsuspecting investors may unwittingly be made victims to a market manipulation scheme or securities fraud.

These multi-pronged actions by the SC had alleviated the concern in this space where the number of complaints and enquiries received on such unlicensed investment advisers has significantly decreased. In 2021 the number of complaints received against unlicensed investment adviser stood at 75. Due in part to the regulatory actions taken by the SC, the number of new complaints received in 2022 and 2023 has dropped to only eight and nine cases respectively.

The SC will continuously monitor and take swift actions should the trend show any new increase in this area.

ENFORCEMENT

The SC deploys a broad range of enforcement tools to address identified breaches of securities law, foster good conduct and lawful behaviour among capital market participants as well as ensure credible deterrence.

TABLE 21
Key enforcement outcomes

Key outcomes	2023	2022
Preliminary investigation		
No. of cases reviewed for enforcement action	43	35
No. of offences reviewed	76	53
Investigation		
No. of investigations commenced	19	13
No. of active investigations	55	49
No. of raids conducted	10 locations	2 locations
Criminal actions		
New criminal actions commenced	2 persons (involving 12 charges)	6 persons (involving 47 charges)
No. of criminal actions completed with no pending appeal	7 (involving 14 persons)	3 (involving 5 persons)
No. of ongoing criminal cases	21 (involving 32 persons)	21 (involving 33 persons)
No. of persons convicted/conviction affirmed	5	10
Custodial sentences imposed	One day to three years	One day to two years
Total value of fines imposed by the Court	RM8.675 million	RM12.958 million
Compounds		
No. of compounds issued	2 (Involving 2 persons)	6 (involving 5 persons)
Total compounds imposed	RM269,900	RM16 million
Civil actions		
No. of civil actions commenced including issuance of Letter of Demands	15	8
No. of civil actions completed	3 (involving 15 defendants)	3 (involving 3 defendants)
No. of ongoing civil cases	11 (involving 21 defendants)	15 (involving 23 defendants)
No. of civil actions completed successfully	3 (involving 15 defendants)	3 (involving 3 defendants)
Total value of civil penalties imposed by the Court	RM4,813,123	RM33,741,544

TABLE 21 *(continued)*

Key outcomes	2023	2022
Regulatory settlements		
No. of regulatory settlements (before the commencement of any court action)	6 (Involving 6 persons)	6 (involving 6 persons)
Total disgorgement	RM13.83 million	RM4.58 million
Restitution		
No. of investors restituted	119	284
Amount restituted	RM301,208	RM1,532,294.70
Administrative actions		
No. of sanctions imposed: • Penalties • Reprimands • Directives	140 (44) (80) (16)	118 (39) (72) (4)
Total value of penalties imposed	RM19.530 million	RM11.999 million
Infringement Notices		
No. of Infringement Notices issued	124	76

Arising from the SC's active surveillance, supervision, and complaints received, various breaches of securities law were reviewed in 2023. 41% of these offences relate to the SC's enforcement priorities namely disclosure breaches, securities fraud and unlicensed activities (Table 22).

Accordingly, the SC's investigation efforts remain focused on cases related to offences involving unlicensed activities, securities fraud and disclosure breaches, which constitutes more than 50% of the investigation commenced in 2023.

Details of the SC's Active Investigation Cases

The SC continues to unwaveringly pursue its investigation efforts. Apart from the raids conducted at 10 locations in 2023, the SC deploys various methods and tools in its evidence gathering to establish the securities law breaches being investigated. Generally the SC receives good co-operation from persons involved in its investigation.

As of 31 December 2023, the breakdown of the 55 active investigations cases by the nature of offence are reflected in Chart 1.

TABLE 22
Breaches of securities law reviewed

Nature of offence	No. of breaches reviewed
Breaches related to disclosure	14
Breach of the SC's LOLA Guidelines	14
Securities fraud	12
Corporate misconduct*	8
Breach of Bursa Rules, Directive or Listing Requirements	5
Unlicensed activities	5
Breach of SICDA	4
Breach of the SC's other Guidelines#	4
Breach of the SC's *Licensing Handbook*/ Condition	3
Market manipulation	2
Abetment	2
Non-compliance of Investigating Officer's Notice	2
Insider trading	1
TOTAL	**76**

* Breach of s.317A CMSA only.
\# *Guidelines on the Registration of Venture Capital and Private Equity Corporations and Management Corporations, Guidelines on Advertising for Capital Market Products and Related Services, Guidelines on Conduct for Capital Market Intermediaries and Guidelines on Sales Practices of Unlisted Capital Market Products.*

CHART 1
Breakdown of active investigation cases

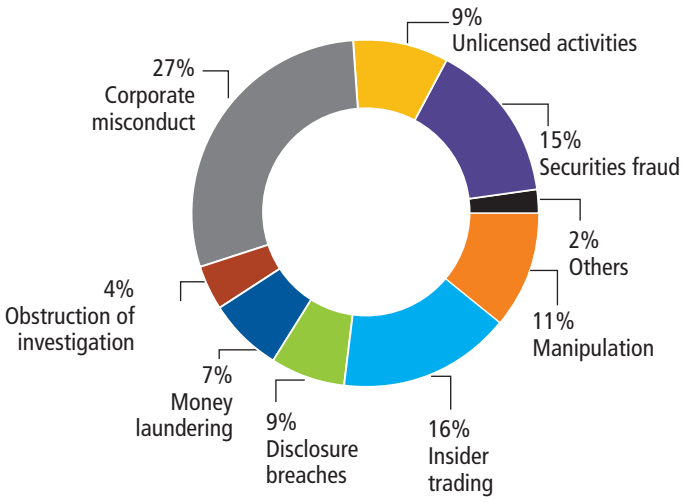


FIGURE 2
Breakdown of investigation works carried out

The SC's investigation process ensures that investigation activities are conducted thoroughly, objectively, and effectively following the due process. In 2023, more than 1,600 notices were issued to compel individuals and entities to either appear before an SC's Investigating Officer for examination or to produce specific documents and information to an SC's Investigating Officer, for the purpose of fact finding and evidence gathering. A series of raids have also been carried out at various locations in Malaysia to facilitate the ongoing investigations of several cases. Details of which are provided in Figure 2.

Mitigating Risk of Money Laundering

In 2023, the SC took steps under the AMLATFPUAA, to freeze and seize cash and shares amounting to approximately RM100 million, which are suspected to be proceeds of unlawful activities. This action is part of an ongoing money laundering investigation, and the freezing and seizing of the said funds aim to prevent the dissipation of funds, while the investigation is still ongoing.

Leveraging the SC's Digital Forensic Unit

The increased utilisation of digital communication and digital devices has undeniably heightened the complexity of the SC's investigation of securities offences. Following the establishment of the SC's in-house Digital Forensics (DF) unit in 2020, there has been significant improvement of timely extraction and preservation of digital evidence.

With the proliferation of mobile technology, the SC has since continuously invested in mobile forensic tools that facilitates efficient extraction as well as e-Discovery tools to perform in-depth analysis of large volumes of data extracted from digital evidence, to expedite the process of identification and evidence gathering.

In 2023, the DF unit had preserved evidence from 351 digital sources including from physical sources (computers, mobile phones and tablets) as well as online sources (email accounts and cloud storage). A quarter of the digital evidence were extracted and preserved on-site upon identification. The preservation of digital evidence such as emails and text messages is crucial for establishing the modus operandi of criminal activities involving securities fraud, corporate misconduct and disclosure breaches. The integration of digital forensic capabilities enhances investigative efficiency by facilitating the analysis of preserved digital evidence in criminal cases.

Effective Collaboration with Other Law Enforcement Agencies and Foreign Supervisory Authorities

Collaboration with other law enforcement agencies is paramount for the SC to carry out its regulatory functions. The SC continuously works closely with other enforcement agencies and regulatory authorities within Malaysia, in its efforts to collaborate and gather evidence for purpose of establishing breaches investigated under securities law. These include among others, the Royal Malaysia Police, BNM and the Malaysian Anti-Corruption Commission (MACC).

TABLE 23
Requests for investigative assistance to IOSCO members

Jurisdictions	No. of requests
Hong Kong	9
Singapore	6
Australia	3
United Kingdom	3
British Virgin Island	2
United States	2
Canada	1
Denmark	1
Ireland	1
Japan	1
Pakistan	1
TOTAL	**30**

For cases that involve cross-border investigation, the SC mainly leverages the IOSCO Multilateral Memorandum of Understanding (IOSCO MMOU) for purpose of gathering information and/or evidence in the respective jurisdictions. In 2023, the SC made 30 requests for investigative assistance to 11 foreign supervisory authorities (Table 23). Most of these requests were made to seek assistance in procuring documentary evidence such as banking documents and documents related to securities transactions, as well as to record statements from witnesses located abroad. Such documents and statements are pivotal to the SC's investigation to help identify the beneficial owners and controllers of the banking and securities transactions. This is particularly important in cases involving insider trading and market manipulation offences.

Conversely, the SC also renders investigative assistance to IOSCO members. In 2023, the SC assisted three foreign supervisory authorities, in gathering necessary information and/or documents for purpose of their ongoing investigation.

Ongoing Criminal and Civil Cases at Various Courts

In addition to the SC's ongoing criminal enforcement efforts which are undertaken with the Public Prosecutor's consent, the SC initiated 15 civil actions (including the issuance of letters of demand) for the year 2023. Additionally, the total disgorgement and civil penalties obtained by the SC in 2023 amount to RM18.6 million, and will be utilised in accordance to law which includes to compensate aggrieved investors. The amount disgorged by the SC in 2023 via its civil enforcement actions represent an increase of three times more than year 2022 at RM13.38 million (Table 21).

For year 2023, there were 32 ongoing cases in court at first instance or appeal stages, involving 53 individuals as listed in Table 24.

The nature of these cases includes corporate misconduct, insider trading, securities fraud, market manipulation, unlicensed activities as well as money laundering offences.

TABLE 24
Ongoing criminal and civil cases

Types of actions	Court	No. of cases	No. of individuals
Criminal Action	Sessions Court	8	13
	High Court	7	10
	Court of Appeal	6	9
Civil Action	High Court	9	19
	Court of Appeal	1	1
	Federal Court	1	1
TOTAL		**32**	**53**

Efforts to Restitute Investors

The SC remains committed in protecting investors. Following the outcome of the SC's successful civil suits and regulatory settlements entered, the SC has restituted 119 investors in 2023 in the amount of RM301,208. Additionally, a further RM4,586,915.35 has been earmarked for restitution involving 658 investors.

Highlights of the SC's Successful Enforcement Cases

Former investment banker deceives 10 investors with non-existent securities

On 29 March 2023, the Sessions Court convicted Chua Yi Fuan (Charles) for one charge of securities fraud while taking into consideration another 16 charges for securities fraud, which were all offences under section 179(b) of the CMSA.

Charles pleaded guilty and was sentenced to a three year imprisonment term and was fined RM1 million where his failure to pay the fine will result in 12 months' imprisonment.

The 17 charges of securities fraud that Charles faced were for deceiving 10 investors into believing that they were investing in purported investment schemes involving subscription of non-existent securities which caused 10 investors to suffer losses amounting to RM1,738,292.

Read more on media release 'Former Investment Banker Jailed Three Years For Deceiving Investors'.
https://www.sc.com.my/resources/media/media-release/former-investment-banker-jailed-three-years-for-deceiving-investors

RM2.36 million disgorgement for insider trading

On 13 April 2023, the SC successfully proved its case in the civil suit against Toh Kai Fatt (Toh) for committing insider trading. The High Court ordered Toh to pay a sum of RM2.36 million being an amount equal to three times the profit made by him as a result of the insider trading, to pay the SC a civil penalty of RM250,000 and barred him from being a director of any PLC for a period of five years. Toh was also restrained from trading in any securities for a period of five years.

Read more on media release 'SC Wins Insider Trading Civil Suit'.
https://www.sc.com.my/resources/media/media-release/sc-wins-insider-trading-civil-suit

Conviction and sentence for failure to appear before the SC's Investigating Officer affirmed by the High Court and Court of Appeal

Amirruddin Nin

On 28 June 2023, the High Court affirmed the conviction and sentence of Amirruddin Nin (Amirruddin) on one charge under section 32(8)(a) of the AMLATFPUAA for failing to comply with written order to appear before an Investigating Officer of the SC in 2017. The High Court also affirmed the sentence of one day imprisonment and a fine of RM100,000 for the said charge. However, the High Court set aside the conviction and sentence for the second and third charges together with the daily fine of RM2,000 which was imposed by the Sessions Court.

The SC initially charged Amirruddin with three charges on 19 February 2020 at the Kuala Lumpur Sessions Court. After a full trial, the Sessions Court convicted Amirruddin on all three charges and sentenced him to one day imprisonment, RM100,000 fine for each of the three charges and also imposed a daily fine of RM2,000 for 979 days for the continuing offence.

Read more on the SC's updates on criminal prosecution in 2023.
https://www.sc.com.my/regulation/enforcement/actions/criminal-prosecution/updates-on-criminal-prosecution-in-2023

Ong Kar Kian

On 11 September 2023, the Court of Appeal affirmed the conviction of Ong Kar Kian on three charges under section 32(8)(a) of the AMLATFPUAA for failing to comply with written orders to appear before an Investigating Officer of the SC in 2018. The Court of Appeal also affirmed the sentence of one day imprisonment and a fine of RM25,000 for each charges. However, the Court of Appeal affirmed the High Court's decision to set aside the daily fine of RM1,500 which was imposed by the Sessions Court.

The SC had initially charged Ong Kar Kian with the three charges on 10 December 2020 at the Kuala Lumpur Sessions Court. At the end of the defense case the Sessions Court judge convicted Ong Kar Kian and imposed a one day imprisonment, RM25,000 fine for each charge and also imposed a daily fine of RM1,500 for 673 days for continuing offence. The total amount of fine imposed was RM1,084,500.

Read more on media release 'Court of Appeal Upholds Conviction and Jail Term of Asia Media Group's Former Accountant'.
https://www.sc.com.my/resources/media/media-release/court-of-appeal-upholds-conviction-and-jail-term-of-asia-media-groups-former-accountant

Carrying on fund management activities without licence

Muhamad Fadzli Jamaludin

On 9 November 2023, Muhamad Fadzli Jamaludin (Fadzli) was charged with a total of three counts under section 58(1) of the CMSA by holding himself out as carrying on a business in the regulated activity of fund management without holding a CMSL. The alleged offences took place between November 2018 and April 2020 in Kuala Lumpur and Melaka.

Read more on media release 'SC Charges Former Company Director for Unlicensed Capital Market Activities'
https://www.sc.com.my/resources/media/media-release/sc-charges-former-company-director-for-unlicensed-capital-market-activities

Subsequently on 29 November 2023, Fadzli was charged with a total of nine counts of money laundering under section 4(1)(b) of the AMLATFPUAA for receiving proceeds of unlawful activity involving over RM1.23 million between August 2018 and April 2020.

The unlawful activity was in relation to unlicensed fund management activities by Fadzli.

Read more on media release 'SC Charges Former Company Director for Money Laundering Offences Involving Over RM1.23 million'
https://www.sc.com.my/resources/media/media-release/sc-charges-former-company-director-for-money-laundering-offences-involving-over-rm123-million

Removal of ACE Holdings Bhd as a Controller of Apex Securities Bhd

On 23 November 2023, the SC concluded its civil action against Apex Securities Bhd (Apex Securities) and Apex Equity Holdings Bhd (Apex Equity) at the High Court of Malaya at Kuala Lumpur through a consent judgment entered between the parties. A salient term of the consent judgment is that no person who has any prior relationship, interaction and/or connection with ACE Holdings Bhd (ACE) or any related companies with ACE may be appointed to the Board of Directors of Apex Equity.

The SC had initiated the civil action to remove ACE as a controller (within the meaning of Section 60(7)(b) and/or (c) of the CMSA) of Apex Securities, a CMSL holder. Apex Equity is the parent company of Apex Securities. The SC was of the view that ACE is not a fit and proper person to be a controller of Apex Securities as ACE was subjected to administrative sanctions by the SC on 11 December 2018, for issuing Information Memorandums that contained false or misleading information.

In the course of the civil action, ACE had divested its entire shareholdings in Apex Equity and key individuals who the SC contended were nominees linked to ACE, had ceased to remain as Apex Equity's Board of Directors.

The SC's enforcement actions demonstrate the SC's commitment to ensure strict compliance of the fit and properness of a controller of a CMSL holder.

Leveraging the SC's Administrative Actions

Apart from initiating criminal or civil actions, the SC also leverages its statutory powers for administrative actions, which provides a full spectrum of sanctions and remedies against the persons in breach (Table 25).

In 2023, a total penalty of RM19.53 million has been imposed against 40 persons for their misconduct and breaches under the securities laws and guidelines issued by the SC as follows:

- Nine licensed intermediaries for delay in submitting the annual report and/or investment returns for the relevant wholesale funds;
- Eight individuals who had breached provisions under *Securities Industry (Central Depositories) Act 1991* (SICDA), including causing and/or permitting his/her shares to be deposited and/or maintained in a third-party's trading account and who had effected trades in his/her shares in a third-party's trading account;
- Four individuals who carried on a business in a regulated activity of providing investment advice without licence;
- Three individuals who engaged in transactions which involved proceeds of unlawful activities;
- One entity and its director who failed to seek recognition by the SC in relation to making available, offer for subscription or purchase, or issue an invitation to subscribe for or purchase of foreign securities and failure to register a disclosure document and prospectus;
- One entity and four of its directors who submitted false information pertaining to the validity of its Qualified Persons' status to the SC (via Annual Declaration) and Bursa Malaysia (via Listing Application);
- One entity who failed to submit true, complete and accurate information to the SC and who failed to promptly report potential breaches of securities laws to the SC;
- One group of persons acting in concert for failing to undertake a mandatory offer; and
- Two entities, comprising a Private Equity Management Corporation and its Private Equity Fund, together with their respective directors, failed to register a prospectus with the SC for making available, offer for subscription or purchase, or issue an invitation to subscribe or purchase the Private Equity Fund's Cumulative Redeemable Preference Shares to non-sophisticated investors alongside with other breaches of securities laws.

TABLE 25
Administrative sanctions imposed

Type of persons	Sanctions imposed					
	Reprimand	Penalty	Restitution	Directive	Revocation of licence	Suspension of licence
Persons acting in concert	11	1	-	1	-	-
Registered persons	18	2	-	2	-	-
Directors of registered persons	6	2	-	-	-	-
Licensed persons	10	16	-	1	-	-
Other entities/ individuals	35	23	-	12	-	-
TOTAL	**80**	**44**	**-**	**16**	**-**	**-**

Redress via Infringement Notices

In carrying out the SC's surveillance, gatekeeping and supervisory functions, the SC also utilises its non-statutory enforcement tools, to address breaches of securities laws or guidelines that do not warrant the initiation of any formal enforcement actions.

In such instance, the SC may issue the following Infringement Notices to the relevant parties concerned:

- Supervisory letters with infringement – issued pursuant to the exercise of the SC's supervisory function or the conduct of an examination under section 126 of the *Securities Commission Malaysia Act 1993* (SCMA).
- Warning letters – issued pursuant to the discharge of the SC's gatekeeping function such as the issuance of licences, approval of corporate proposals and review of prospectuses. Warning letters may be issued to licensed, registered persons or other professionals or experts.
- Non-compliance letters – issued pursuant to the discharge of the SC's gatekeeping function for minor breaches.
- Notice of Cease and Desist – issued to immediately halt and prevent further violation of any obligations under the securities laws. Failure to comply with the *Notice of Cease and Desist* may attract formal enforcement action by the SC.

In 2023, 124 Infringement Notices have been issued by the SC, with the breakdown as in the Table 26. There has been an increase in the overall issuance of Infringement Notices by the SC from 2022 to 2023. This increase was partly attributable from various non-compliances detected by the SC against Shariah advisers under the SC's *Guidelines on Islamic Capital Market Products and Services*. In addition, the SC also detected non-compliances by licensees under the requirements of the securities laws and the SC guidelines, particularly the *Licensing Handbook*.

TABLE 26
Type of Infringement Notices

Type of Infringement Notices	No. issued	
	2023	2022
Supervisory letters with infringement	40	33
Warning letters	59	13
Non-compliance letters	20	24
Notice of Cease and Desist	5	6
TOTAL	**124**	**76**

DETAILED STATISTICS

TABLE 1A
Equity applications (*detailed*)*

No. of applications	2023	2022
For consideration	**29**	**27**
Received during the year	22	20
Brought forward from previous year	7	7
Considered during the year	**18**	**18**
Approved	18	16
Not approved	-	2
Returned	-	-
Others	**11**	**9**
Withdrawn	2	1
Lapsed (exceeded 6-month validity period)	-	1
Carried forward to next year	9	7

TABLE 4A
Corporate bonds and sukuk lodgements (*detailed*)*

Ringgit-denominated	No. of lodgements		Nominal amount (RM billion)	
	2023	2022	2023	2022
Lodgements for the year	**61**	**60**	**171.26**	**186.90**
Corporate bonds	20	15	73.00	19.03
Sukuk	41	43	98.26	147.87
Combination	-	2	-	20.00
Foreign currency-denominated	**No. of lodgements**		**Nominal amount (US$ billion)**	
	2023	2022	2023	2022
Lodgements for the year	**3**	**2**	**50.00**	**38.00**
Corporate bonds	1	1	10.00	3.00
Sukuk	2	1	40.00	35.00
Combination	-	-	-	-

Note:
* Refer to Capital-Raising section.

TABLE 5A
Corporate bonds and sukuk applications (*detailed*)*

No. of applications	Corporate bonds		Sukuk	
	2023	2022	2023	2022
Nominal amount (RM billion)	**0.22**	**0.37**	**-**	**-**
For consideration	**2**	**2**	**-**	**-**
Received during the year	2	2	-	-
Brought forward from previous year	-	-	-	-
Considered during the year	**2**	**2**	**-**	**-**
Approved	2	2	-	-
Not approved	-	-	-	-
Returned	-	-	-	-
Others	**-**	**-**	**-**	**-**
Withdrawn	-	-	-	-
Carried forward to next year	-	-	-	-

Note:
* Refer to Capital-Raising section.

PART 3
STRENGTHENING THE SUSTAINABILITY AND COMPETITIVENESS OF THE CAPITAL MARKET

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INTRODUCTION

Efficient capital formation and mobilisation continue to be important drivers in strengthening the sustainability and competitiveness of the Malaysian capital market. Aligned with these objectives, the SC undertook various developmental initiatives spanning both the alternative and traditional markets. These initiatives are specifically geared towards facilitating greater fundraising avenues, especially for MSMEs and mid-tier companies (MTCs) and strengthening the overall investment ecosystem. Key initiatives entailed forming partnerships with other government agencies, introducing innovative financial products and services, integrating new players into the market ecosystem and developing relevant talent pipeline.

In addition, the SC continued to drive the sustainability and corporate governance agenda, broaden and deepen the ICM as well as strengthen the fund management industry. The SC also strives to foster competitive markets and embrace innovation for greater growth. Globally, the SC aims to elevate the international profile of the Malaysian capital market and its regulatory framework.

FORTIFYING FUNDING AND INVESTMENT ECOSYSTEM FOR CONTINUED GROWTH

Aligned with evolving market needs and digital advancements, the capital market continued to expand its role in financing business ventures, creating jobs, widening ownership of assets and generating returns on long-term savings. In this aspect, the SC has facilitated various measures through provision of innovative capital market solutions and collaborative endeavours with a broad spectrum of stakeholders and pivotal institutions.

Strengthening MSME and MTC Access to Capital Market Financing

SC-SME Corp Collaboration

The SC entered into a MOU with the SME Corp to catalyse MSME access to capital market financing. SME Corp is the central co-ordinating agency under the Ministry of Entrepreneur and Cooperatives Development that co-ordinates the implementation of development programmes for MSMEs across all related ministries and agencies.

The MOU, which builds upon the common priorities of the SC and SME Corp, aligns with the SC's vision to foster a vibrant and resilient capital market that is inclusive and able to cater to the different financing needs of MSMEs. It also signifies the commitment of the SC and SME Corp in supporting the expansion and resilience of MSMEs, with the MSME segment being a key engine for economic growth.

The three-year collaboration between the SC and SME Corp aims to create about 200 capital market-ready MSMEs by 2026 and to familiarise about 300 MSMEs with sustainability disclosures and corporate governance best practices.

Key objectives under this collaborative framework include:

- Strengthening financing inclusivity through joint initiatives to increase MSME financing access to capital market solutions. This will include enhancing MSME capital market-readiness through capacity building and networking programmes.
- Facilitating MSME ESG and sustainability transition by building their familiarity with sustainability disclosures and corporate governance best practices. The initiatives include capacity building on *Simplified ESG Disclosure Guide* (SEDG) for SMEs, which was released in October 2023.
- Strengthening of both parties' market insights and data on MSME capital market access by sharing information and analytics. Initiatives in this area include MSME capital market studies and consultations on MSME capital market policies and initiatives.
- Expanding capital market funding pool for MSMEs by developing co-ordinated strategic investments and initiatives. These include supporting stock listings or fundraising via alternative financing platforms in Malaysia.

Mobilising Capital Market Financing Under NIMP 2030

Capital market financing and tools were featured prominently in the Ministry of Investment, Trade and Industry's (MITI) *New Industrial Master Plan* (NIMP) 2030. The private sector, including the financial and capital markets, is expected to provide the bulk of NIMP's estimated total investment of RM95 billion.

The SC provided inputs for the *Financing and Push for Net Zero* chapters in the NIMP 2030 in terms of avenues to mobilise capital market financing for MSMEs and MTCs in the manufacturing and manufacturing-related services industries.

Mobilising Capital to Finance MSMEs and Mid-Tier Companies via ECF and P2P Financing to Drive Economic Growth

In tandem with the *Ekonomi MADANI's* objective to promote greater economic growth, inclusion and sustainability, the ECF and P2P financing markets continue to facilitate financing for more than 15,000 businesses in Malaysia, surpassing RM6 billion since inception. In 2023, the overall amount raised grew by 29% from 2022, reaching an all-time high despite heightened economic uncertainty.

The market also witnessed an increase in the contribution of Shariah-compliant ECF and P2P financing to the total funds raised in 2023, accounting for 24% compared to 8% in 2022. The total funds raised through Shariah-compliant financing in both markets grew significantly in 2023 to RM524.8 million (2022: RM140.8 million), primarily attributed to the substantial increase in funds raised through the P2P financing market.

Owing to the digital nature of these alternative financing channels, businesses situated beyond the Klang Valley have increasingly leveraged ECF and P2P financing for their financial needs. In 2023, businesses outside the Klang Valley have successfully secured over RM811.6 million, constituting 37% of total funds raised, a notable increase from RM471.5 million in 2022. The growth, driven by robust issuances on P2P financing platforms, signals a promising trend in broadening economic opportunities nationwide.

While overall investor participation in terms of volume is slightly lower in 2023 compared to 2022, the SC saw increasing participation of institutional investors in ECF and P2P financing markets. Notably, despite being a smaller segment, institutions have invested nearly RM1.3 billion into ECF and P2P financing campaigns, comprising 57% of total funds raised in 2023.

As part of continual evolution of the alternative financing market, efforts in 2023 have been focused on its expansion to new market segments and greater investor participation.

Expanding market segment for alternative financing

- Growing Islamic alternative financing market

Islamic ECF and P2P financing markets as an emerging asset class is gaining significant traction. Characterised by its adherence to Islamic principles, ethical and socially responsible investing, this Shariah-compliant asset class appeals to a diverse range of investors.

In efforts to spur the growth of the capital market and help support the country's economic recovery, the SC opened registration for new ECF and P2P market operators with Shariah solutions and value proposition late in 2022. The initiatives mentioned move towards a 'liberalisation of the capital market' to allow MSMEs and MTCs to have better access to funding to grow their businesses. Since the announcement, the SC has approved two new ECF platform operators that focused on Shariah-compliant value propositions. This is in addition to the nine existing ECF and P2P market operators, providing conventional and Shariah-compliant alternative financing solutions.

- Expanding P2P financing for mid-tier companies

While Malaysia has a developed bond market, it remains largely confined to serve large issuers and institutional investors. In contrast, MTCs which have a sizeable contribution to Malaysia's GDP have been primarily self-reliant in financing their business growth especially if they have outgrown existing financing avenues for MSMEs but are still too small for the traditional public market.

In line with this, the SC has allowed the registration of new P2P financing platforms to offer debt-based financing for MTCs as compared to existing P2P operators who are predominantly serving the financing needs of MSMEs. To be eligible for this new registration, interested applicants must demonstrate their ability to facilitate larger issuances (of no less than RM5 million) and long-term financing (of over 12 months).

The new registration has attracted positive interests from potential market operators, with one new P2P-MTC operator being registered by the SC.

SCxSC GROW: Expanding Alternative Financing for the Food Security Agenda

SCxSC GROW is a new collaborative programme under the SC's fintech flagship initiative 'Synergistic Collaboration by the SC' (SCxSC). The SCxSC GROW embodies a collaborative effort with ecosystem partners to harness the potential of alternative financing digital platforms to meet the needs of MSMEs in strategic sectors.

The year 2023 marks the inaugural edition of the SCxSC GROW initiative, focusing on the crucial agricultural sector. Despite its economic significance, many agri-based MSMEs encounter hurdles in financing for growth and sustainability. This funding gap directly affects food security since these enterprises are fundamental contributors to the food supply chain. The first edition of SCxSC GROW endeavours to enable agricultural expansion through inclusive and innovative financing, recognising food security as a shared responsibility.

Alternative financing avenues such as ECF and P2P financing can play a key role in this respect. This form of financing democratises access to financing through innovative credit assessment and bespoke financing instruments, offering crucial support to early-stage, small-holder agribusinesses and agripreneurs striving to modernise agriculture. Since its inception, ECF and P2P financing have notably supported over 2,000 agri-related MSMEs across the entire value chain – spanning upstream, mid-stream, and downstream sectors with raising over RM800 million.

Four Main Objectives

GROW
Grow, nurture and revitalise targeted segments

REACH
Reach out to wider pool of MSMEs, ecosystem players and relevant stakeholders by enhancing awereness

OPEN
Open and explore opportunities for further innovation and competition to better serve targeted segments

WIDEN
Widen the pool of investor base to cater to different needs of specific targeted segments

Key milestones achieved in 2023

Series of SCxSC GROW collaborative interactions and dialogues with essential stakeholders and innovators locally and globally.

SCxSC GROW Fintech Conference on 31 May 2023 attracted a total of 800 physical attendees and 1,000 virtual attendees.

1st Nationwide SCxSC GROW Workshop with Ministry of Agriculture and Food Security of Malaysia (KPKM) on 24 August 2023
> 60 participants from KPKM including *Lembaga Pertubuhan Peladang*, Department of Agriculture, *Jabatan Perikanan Malaysia*, Federal Agricultural Marketing Authority.

1st SCxSC GROW & Bioeconomy Corp. Joint Workshop on 4 October 2023.

Quarter 1	Quarter 2	Quarter 3	Quarter 4
• Garnered greater awareness on ECF and P2P financing. • Identified key challenges and ideas to expand ECF/P2P financing for agri-sector.	• Shed light on fintech and AgTech trends while fostering discussions and collaborations that has the potential to finance, build and implement new technologies or financial products tailored to the agricultural sector's specific needs. • Kicked off focus on food security.	• Deeper dive into ECF/P2P financing with agri-related agencies.	

Enabling a conducive tax environment to encourage greater investor participation in the ECF market

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

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

To provide greater clarity in respect of the income tax exemption requirements and to facilitate applications by eligible ECF investors for the tax exemption, the SC revised the *Guidelines of Recognized Markets* (RMO Guidelines) on 19 April 2023. It sets out the requirements which must be fulfilled by the individual ECF investor for purposes of applying for the ECF tax exemption, as specified in the *Income Tax (Exemption) (No. 4) Order 2022*.

The revised guidelines will enhance ECF investors' understanding of the requirements relating to application of the tax exemption, while ensuring the attractiveness of the ECF industry.

Shoring up confidence in alternative financing market via Malaysia Co-investment Fund

MyCIF, a Malaysian government initiative established as part of the 2019 Budget, has fostered the growth and inclusiveness of alternative financing via ECF and P2P financing.

"*It seeks to serve as an efficient and transparent means to channel government funds to the intended recipients while catalysing financing access for MSMEs. It also aims to crowd in private investments into these platforms.*" said Datuk Johan Mahmood Merican, Secretary General of Treasury and Steering Committee Member of MyCIF.

With aggregate disbursement of RM250 million since its inception, the initiative has co-invested a total of RM930 million across 54,695 ECF and P2P financing campaigns as of December 2023, complemented by private investors contribution amounting to RM3.82 billion since the establishment of MyCIF.

In 2023, MyCIF expanded its special initiative towards promoting sustainability development agenda by extending the 1:2 special co-investment ratio to selected ESG segments alongside the existing initiative for agriculture sector, recognising the pivotal role in local economic growth.

MyCIF's public-private co-investment model is the first of its kind in the region. This underscores the government's commitment in shaping better financing access for MSMEs.

BROADENING AND DEEPENING THE ICM

The SC remains committed to chart its strategic direction to expand its reach and value proposition, aiming to propel a more inclusive and broader ICM. In these efforts, the SC is dedicated to facilitate a more diversified Shariah-compliant offerings, amplifying its societal and environmental impact in line with sustainability principles, and strengthening the landscape of Islamic social finance. This is aligned with the SC *Capital Market Masterplan 3* (CMP3) where ICM is further leveraged to widen its reach to broader stakeholders of the economy.

The SC will continue to undertake initiatives focusing on Shariah governance in various phases, to facilitate the orderly development in shaping the ICM landscape, while enhancing the country's global standing position in Islamic finance.

Harnessing the Potential of Waqf

The SC recognises the transformative potential of *waqf* in addressing critical socio-economic challenges such as poverty, unemployment, and inadequate funding for essential sectors like healthcare, education, and infrastructure. As such, the SC has actively sought to tap into the potential of *waqf* within the ICM. Efforts include the release of the SC's first book on *waqf* in 2014, covering themes on innovation, governance, and opportunities within the ICM. *Waqf* assets were also incorporated as one eligible projects under the revised SRI Sukuk Framework issued in 2019. The developmental efforts by the SC then extended to enable more diverse market offerings when the SC rolled out the Waqf-Featured Fund Framework (WQ-FF) for unlisted funds in 2020. Subsequently, the WQ-FF was expanded to encompass listed funds including Islamic ETFs and REITs in 2022.

The application of *waqf* in ICM products, such as Shariah-compliant funds and equities, has demonstrated its ability to generate positive and inclusive social impact for society. In this spirit, the SC facilitated the convening of the first regulator-led Waqf and Islamic Capital Market Conference in July 2023, providing a platform for stakeholders to discuss and propose solutions to unlock *waqf's* full potential. Building on the efforts over the past decade, further initiatives are underway to expand *waqf's* scale and reach. These include, among others, the continuation of the SC's annual *waqf* conference, ongoing engagements with key stakeholders and industry players and the drafting of the second edition of the *waqf* book.

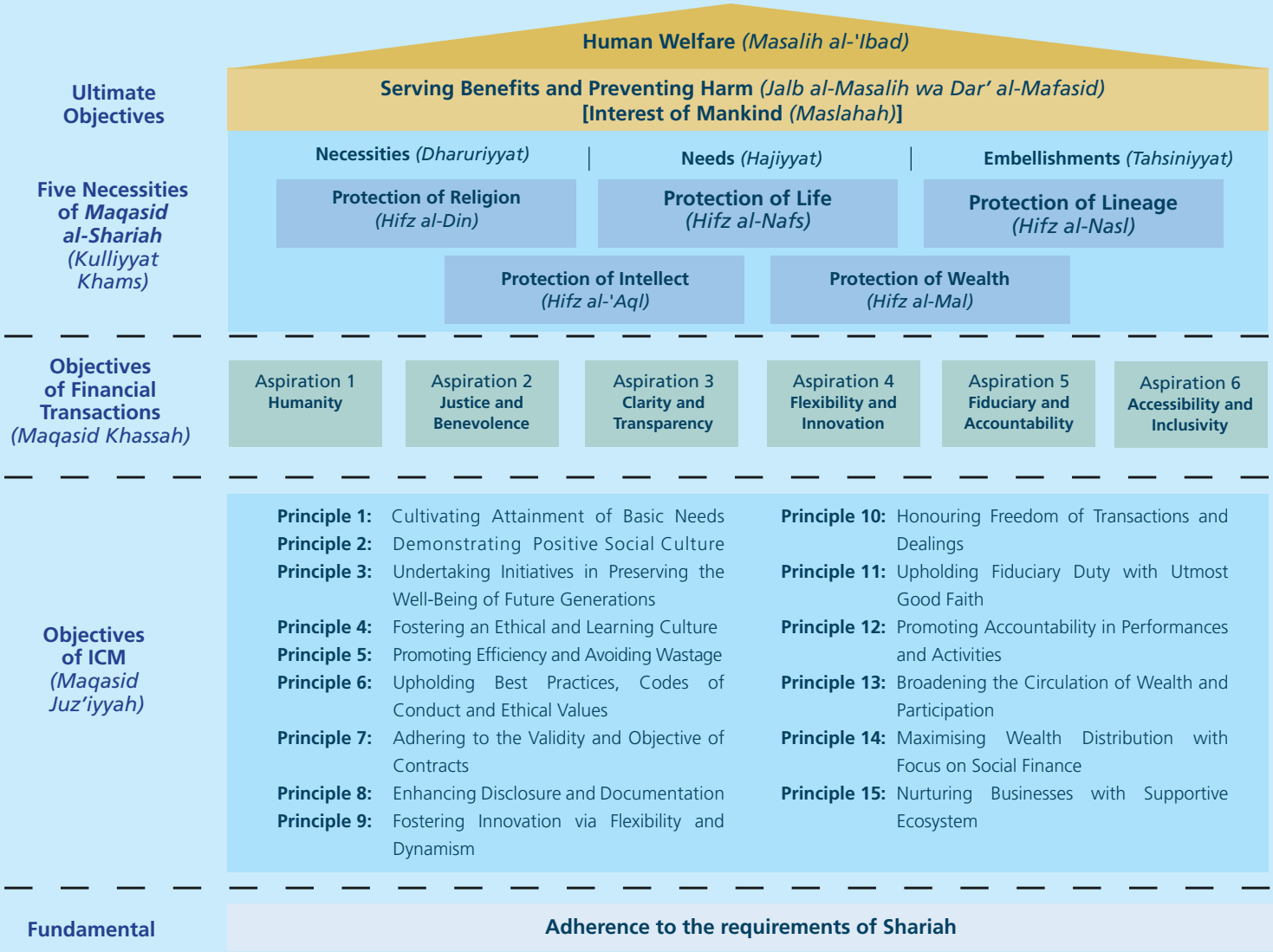
SPECIAL FEATURE 2

MAQASID AL-SHARIAH GUIDANCE ISLAMIC CAPITAL MARKET MALAYSIA

The Islamic finance core principles entail fostering financial inclusion, ethical conduct, and a stakeholder-driven approach, shaping a financial landscape that looks beyond profit to encompass the broader societal and ethical considerations.

Such ethical and moral considerations in Islamic finance can be sourced from the *maqasid al-Shariah* or higher objectives of Shariah. It is not only limited to prohibitive rulings to discourage immoral conduct and actions harmful to stakeholders and the community, but also takes on a holistic view for a righteous way of life, with the aim to preserve and promote the five necessities of mankind – religion, life, lineage, intellect, and wealth.

FIGURE 1
Illustration of the six Aspirations and 15 Principles of Maqasid al-Shariah in the ICM



As part of the SC's latest initiative to solidify ICM's impact to broader stakeholders, the *Maqasid Al-Shariah Guidance Islamic Capital Market Malaysia* (Guidance) was issued in November 2023. In line with the SC's CMP3, the Guidance is a fundamental effort in underpinning a strong and resilient industry to enhance ICM ecosystem's authenticity and align with the true spirit of Islamic finance.

It is envisioned that the Guidance will serve as a valuable reference document for all stakeholders, inspiring greater exploration of Islamic social finance tools, including *zakat* (almsgiving), *sadaqah* (charity), and *waqf* (Islamic endowment).

Anchored by the ultimate objective of attaining human welfare (*masalih al-'ibad*), the Guidance outlines six Aspirations that cover the main ethical dimensions of financial transactions, which are Humanity, Justice and Benevolence, Clarity and Transparency, Flexibility and Innovation, Fiduciary and Accountability, as well as Accessibility and Inclusivity. To support these overarching Aspirations, the Guidance then outlines 15 Principles, designed for practical application in ICM products and services.

Contributing to Society and the Real Economy Through ICM and SRI

Islamic finance shares many common underlying principles with sustainable finance and investing. Among others, both encourage economic expansion, financial stability, as well as the protection of the environment and the reduction of social inequalities.

The Guidance underscores the SC's commitment to enhance the role of the ICM in facilitating equitable growth, which, in turn, will help towards building and promoting sustainable and inclusive stakeholders economy. It is aimed to further facilitate the development of more innovative Islamic financial products and services as well as reinforce the SC's regulatory developmental efforts in sustainable and responsible investment (SRI), supporting areas such as environmental and climate action, through investments in renewable energy, conservation projects, and sustainable agriculture, among others.

The Principles and Aspirations outlined in the Guidance are also generally aligned with the broader goals of sustainable development, as encapsulated by the United Nations Sustainable Development Goals (SDGs). For example, Principle 1, which emphasises the attainment of basic needs and addressing issues such as poverty and food security aligns with SDG goals related to poverty eradication (SDG 1) and hunger alleviation (SDG 2). Likewise, Principles advocating for inclusive and sustainable economic growth such as Principle 13 and 15 correspond to SDGs focused on promoting decent work and economic growth (SDG 8). The alignment between the Guidance and the SDGs underscores the commitment of integrating sustainable practices across the ICM to advance the collective goal of achieving a more equitable, prosperous, and sustainable future for all.

Maintaining Confidence and Trust Through Adherence to Highest Ethical Standards

The Guidance also provides a foundation to be adopted, with each Principle and Aspiration integrating ethical elements to be applied in ICM products and services. To propel ICM to new heights, it is crucial for the industry to continue embracing best ethical practices. This will not only reinforce good governance and responsible stewardship, but also protect investors from harmful investment practices. As a result, this can enhance trust and confidence in the ICM, attracting more investors seeking sustainable and responsible financial solutions.

Bolstering ICM's Competitive Advantage Through Emphasis on the Substance Over Form

The commitment to focus more on the substance ensures that the ICM remains relevant and resilient in a rapidly evolving financial landscape, ultimately strengthening its competitive position in the long term.

This commitment involves prioritising the underlying principles and values behind financial transactions and products rather than merely adhering to procedural and transactional requirements. In practical terms, it is imperative for the substance or intended needs and objectives of transactions to be in line with the broader ethical considerations and societal welfare goals.

In the future, ICM envisions to follow closely the principles and aspirations outlined in the Guidance. Efforts are underway to enrich the existing SRI ecosystem, which is evident in the social finance landscape, through integration with fintech and also traditional Islamic finance instruments such as *waqf*.

To initiate adoption of the Guidance within the industry, five financial institutions, namely Maybank Islamic Bhd, CIMB Islamic Bhd, Bank Islam Malaysia Bhd, HSBC Amanah Malaysia Bhd and Standard Chartered Saadiq Bhd have expressed their commitment to adopt the Guidance in the Shariah Pronouncement of ICM products submitted to the SC. This will be one of the manifestations of the Guidance implementation in ICM products, taking a step towards aligning with the true spirit of Islamic finance.

By closer alignment to *maqasid al-Shariah*, the ICM seeks to foster an ecosystem that is inclusive and conducive for products and services.

STRENGTHENING THE FUND MANAGEMENT INDUSTRY

The fund management sector is a pivotal contributor to the Malaysian economy, serving as a cornerstone for the efficient allocation of capital to productive resources and fostering wealth accumulation for investors. The evolution of investment preferences and the dynamic nature of industry players has been a primary driver behind substantial growth in AUM, contributing to a diversified landscape in terms of product offerings and intermediation capabilities.

Consequently, the AUM of the fund management industry has exhibited noteworthy expansion, achieving a CAGR of 7.6% to reach RM975.5 billion in 2023, up from RM377.5 billion in 2010. This remarkable growth underscores the escalating prominence and significance of the fund management industry within the capital market and the broader economy.

While the industry has seen strong growth over the past few decades, a proactive and adaptive regulatory approach is necessary to address the challenges and opportunities brought about by technological advancements, changing investor preferences, and the globalisation of financial markets.

In view of the changing economic landscape and the evolution across the value chain from products and strategies offered, to marketing and distribution channels as well as fund operations, the SC aims to take steps to ensure the industry remains relevant and competitive *vis-a-vis* global development.

To this end, the SC sought to shape the future of fund management by taking an inclusive, industry-wide approach through engagements and an industry wide CEO survey. Responses were received from 68 fund management CEOs across different license types and covered a wide range of areas across the fund management value chain from strategic priorities to client preferences and digitalisation.

Through insights derived from the survey, a holistic set of policy recommendations covering the competitiveness of fund management companies, promoting efficiency of the value chain and widening access and investment options have been developed. Prioritisation of initiatives and implementation over the next three years will be undertaken through joint working groups with industry captains/leaders.

Ultimately, these recommendations aim to actively chart and push the next phase of growth for the Malaysian fund management industry by ensuring that the industry adapts to the evolving landscape and that market participants operate within a framework that promotes innovation without sacrificing investor protection.

Expanding the Wholesale Fund Framework

In line with measures to liberalise the fund management industry, efforts were undertaken to provide investors with access to a more varied range of alternative assets and strategies. This initiative reflects the SC's commitment to enhance the depth and breadth of the capital market while promoting an inclusive investment environment for various risk appetites and needs.

In this regard, the Wholesale Fund Framework has been expanded to enable domestic managers to invest in in alternative investment products via special purpose vehicles, in addition to the available conventional assets such as securities, derivatives, money market instruments and deposits.

To improve transparency, fund managers will be required to provide an offering document setting out information that would facilitate comparability between funds and enable investors to make more informed decisions. Additional measures have been put in place to ensure fund managers are prepared to manage the risks associated with alternative assets.

Overall, these measures will provide wider investment opportunities and diversification potential for investors as well as broaden fund managers' capabilities to maximise returns and promote more innovation which in turn will improve competitiveness of the Malaysian fund management industry.

Providing Flexibilities for Secondary Listing of ETFs

The proliferation and popularity of ETFs over the past decade have significantly reshaped the investment landscape globally. Within this sphere, secondary listing which is the process of listing on multiple exchanges has become a strategic move for ETF issuers aiming to expand their reach and attract a broader investor base.

Recognising the limitations within the existing regulatory framework and the growth potential of this segment, the SC sought to enable greater flexibility and provided greater clarity on secondary listings of ETFs on Bursa Malaysia.

To this end, the SC has allowed foreign ETF operators to apply for secondary listing of up to five non-plain vanilla ETFs, such as leveraged ETF, inverse ETF and synthetic ETF, which is subject to certain controls on the foreign operator. These controls include the need for the ETF operator to maintain certain information such as indicative NAV, fees, information on key personnel and a summary of operator's financial position on its website as well as to notify the SC of events that may affect the index which the ETF is tracking.

Ultimately, this initiative will empower investors with more diverse strategies to accumulate wealth that can be accessed conveniently and cost-effectively on the exchange. In addition, the introduction of a more diverse range of ETFs is likely to increase overall participation in the domestic ETF market thus boosting overall market vibrancy as well.

Championing Behavioural Interventions in the Private Pension Industry

In the face of rapid demographic changes coupled with the economic challenges in the post-pandemic world, the discussion on the future of Malaysians *vis-a-vis* their retirement savings has become an increasingly pressing subject. The private sector's role in supplementing retirement incomes becomes even more pronounced when we consider PRS within the construct of Malaysia's multi-tier pension framework.

While there has been commendable growth of 19.22% in the industry with total AUM reaching RM6.45 billion and 579,000 members at the end of 2023, the SC recognises that moving the needle on retirement security with respect to private sector solutions requires partnership and collaboration between retirement stakeholders on multiple fronts.

In this regard, the SC championed the adoption of behavioural interventions by PRS Providers and PPA in 2023. These are solutions that incorporate behavioural science to create effective solutions that encourage the desired behaviour. Some behavioural interventions explored by PRS Providers and PPA included targeted messages to members and direct debits through PPA's Online Account system, which would facilitate easier, more convenient and automated contributions by members into the respective PRS account.

These efforts began from a workshop that the SC hosted in March 2023, where Providers were invited to engage in a discussion on how behavioural interventions could be utilised to increase participation and contributions into PRS. Providers worked with the SC to develop targeted behavioural messages and approaches to test them among their respective members. This pilot-test approach was undertaken to empirically determine the most effective behavioural messages which Providers could utilise in the longer-term to continue targeted interventions among their respective members.

The dialogue on retirement adequacy and behavioural solutions to address this continued on with the SC's retirement forum in November 2023 entitled 'Improving Long Term Retirement Planning and Savings Behaviour'. This was an important avenue to bring social protection and private pension experts to share solutions on improvements across the private pension system that should be implemented to better cater for the changing retirement needs of Malaysians.

Expanding Advisory Channels While Ensuring a Continued Role for Dealer Representatives

As Malaysian investors' needs increase in sophistication, market intermediaries will be relied upon to provide multiple value-added services, from execution to advisory services, for better access and convenience. The SC recognised the potential ability of dealer representatives to offer such multiple value-added

services and, in this regard, sought to provide greater opportunities for dealer representatives to increase their scope of activities to cover advisory-related services. This would lead to additional sources of revenue for dealer representatives while expanding the channel for investors to obtain advice and other services.

The expansion included removing the requirement for dealer representatives to be employed on a full-time basis and permitting them to be licensed and or registered for investment advisory, financial planning and distribution of unit trust and PRS to their clients.

These flexibilities are offered to dealer representatives who have been licensed for more than five years and meet the competency requirement for the relevant regulated activity. To ensure effective supervision and oversight to mitigate against any potential misconduct, the additional regulated activities must be undertaken within the same broking firm or within its group of companies.

Overall, these measures would continue to ensure that dealer representatives adapt to the changing investment landscape within the capital market while availing diversified services for investors in other capital market products and services.

Introducing the Foreign Exempt Scheme Framework

As the demographics of Malaysian investors mature, it is essential that investors are empowered with more investment fund options to meet their diverse risk appetites and needs. This includes exposure to varied strategies and geographies. While onshore funds do cater to investor needs, the SC recognises the potential foreign funds may offer in widening options available to investors.

In this regard, a new framework for Foreign Exempt Schemes was introduced to widen access to foreign funds and provide more options for sophisticated investors. This would allow foreign fund operators that are a related corporation to an SC-licensed fund manager to offer their foreign funds to institutional investors and high-net-worth entities (HNWEs).

Ultimately, the framework will make available more choices and add greater diversity to onshore fund options in the domestic capital market.

FOSTERING AN INCLUSIVE AND COMPETITIVE DERIVATIVES MARKET

In its efforts to foster an inclusive and competitive derivatives market, the SC has undertaken various initiatives, which include the mini-United States Dollar and Chinese Renminbi currency futures contract (FCNH) and soybean oil future contract (FSOY). These initiatives are expected to improve investors' accessibility to risk management tools and broaden the derivative product offerings.

Mini USD-CNH Currency Futures Contract

On 24 February 2023, the SC granted approval-in-principal for the introduction of the FCNH 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 USD/CNH currency contract.

The settlement price in Hong Kong is used as reference on 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 largely 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' need 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, financial and equity-based derivatives. The contract was launched on 11 December 2023.

Bursa Malaysia Derivatives DCE Soybean Oil Futures Contract

On 13 September 2023, the SC also granted approval-in-principal for the introduction of FSOY on BMD. Similar to the FCNH contract, FSOY is based on a licensing agreement with the Dalian Commodity Exchange (DCE) for the settlement price of the DCE's soybean oil futures contract. This collaboration is the culmination of two years of groundwork and enjoys the support of the China Securities Regulatory Commission (CSRC).

While the price in China is used as a reference, the FSOY contract is standalone and separate and will be traded and cleared at BMD. The proposed introduction of FSOY taps into BMD's current expertise with edible oils, as the exchange provides the global pricing benchmark for crude palm oil through the Crude Palm Oil Futures (FCPO) contract.

Having both crude palm oil and soybean oil futures on a single exchange would also result in cross margining savings. Further, to attract participants seeking exposure to Dalian's soybean oil pricing – the contract will be denominated in US dollars, which is an international pricing unit.

ENHANCING THE ATTRACTIVENESS OF THE EQUITY CAPITAL MARKET

In 2023, the SC continued to introduce further measures to enhance the attractiveness of the equity capital market with the introduction of fractional share trading, a new accelerated transfer process to the Main Market and taking measures to safeguard investors' interest in relation to offerings by the unlisted public companies (UPCs).

Introducing Fractional Share Trading

On 7 September 2023, the SC facilitated the offering of fractional trading on shares listed on Bursa Securities by stockbroking companies. This is part of the SC's capital market initiatives to improve investors' accessibility to the domestic stock market and to make investment more affordable for Malaysians.

A fractional share is a portion of stock that is less than one standard board lot. Fractional share trading will allow retail investors, particularly individuals from the younger generation, with low starting capital, to invest in high value stocks. Additionally, these retail investors will have the option to diversify their portfolio, while creating a more inclusive capital market for all Malaysian.

To safeguard the interest of investors, the *Guidelines on Market Conduct and Business Practices for Stockbroking Companies and Licensed Representatives* was amended requiring stockbroking companies to incorporate the necessary systems, policies, and procedures when offering fractional share trading services. This is to ensure fair treatment of customers' orders, price transparency and proper supervision of the fractional share trading service.

Accelerated Transfer Process for Transfer from ACE Market to Main Market

In December 2023, the SC had announced an accelerated transfer process to facilitate the promotion of eligible ACE Market listed corporations to the Main Market of Bursa Malaysia. This new framework will take effect on 1 January 2024.

The newly introduced accelerated transfer to Main Market framework is to provide a special pathway to encourage significantly larger and more profitable ACE Market companies with more than RM1 billion market capitalisation to transfer to the Main Market in an expedited manner.

The purpose for the introduction of the accelerated pathway to transfer to the Main Market is to promote the attractiveness of the overall equity market with larger companies listed on the Main Market, and to enable greater access to foreign and local institutional investors for these companies.

The newly simplified and accelerated transfer process should incentivise more companies listed on the ACE Market to make continuous efforts to improve their corporate values and achieve sustainable growth for shareholders.

Notwithstanding, the accelerated transfer process does not preclude any ACE Market companies that meet the Main Market entry requirements to apply for a transfer to the Main Market under the existing normal transfer process.

Issues Relating to Raising of Funds by Unlisted Public Companies

There are increasing regulatory concerns on offerings of shares by UPCs which affects investors.

The SC views this seriously and has taken various steps to address the same. This includes engaging with management of the UPC and other key stakeholders involved in fundraising activities, to express its concerns as well as to highlight the expectations in terms of compliance with the relevant laws and regulations governing the fund raising activities.

Further, the SC is also undertaking a comprehensive review of the regulatory framework in respect of offerings of shares by the UPC towards greater investor protection.

DEMOCRATISING INVESTMENTS THROUGH DIGITAL INVESTMENT SERVICES

Technological advancements and changing consumer behaviours continue to shape the capital markets. Increasingly, consumers are demanding for more data for decision-making, personalised investing experience, and investment options, including alternative assets through digital channels.

E-wallets with embedded finance has played a pivotal role in meeting these evolving demands as they seamlessly integrate financial services into their platforms, while offering users not only a secure and convenient means of managing their funds but also expanding access to digital investment services.

Since 2016, the SC has been facilitating the provision of digital investment services that enhances accessibility and convenience in the financial landscape with the registration of four new e-service providers and one new DAX in 2023.

Digital Investment Management

The introduction of the digital investment management (DIM) framework in 2017 has enabled both new and established market participants to embrace digitisation and foster the creation of innovative and more efficient approaches of providing capital market products and services to investors.

As at end 2023, DIM has grown 400 times in total AUM, valued at RM1.6 billion. While the DIM AUM constitutes less than 1% of total AUM in the fund management industry, there has been a steady upward trend, with a 15% growth in 2023. DIM has increasingly expanded its reach to beyond Klang Valley, empowering more investors to gain access to a range of DIM investment opportunities. (Refer to Figure 2 - Snapshot of DIM industry).

E-Services Platform

The e-services platform (eSP) framework introduced in 2020, has further enhanced the digital landscape of Malaysia's capital market. The framework enables platforms like e-wallets and e-payment service providers to democratise the online distribution of capital market products, such as unit trusts, making them accessible to a diverse range of investors. To date, 43 capital market products have been facilitated through these platforms, allowing seamless and wider access to investment opportunities for everyone.

Since 2021, the cumulative value of subscriptions to capital market products distributed on the eSP has exceeded RM18 million. Notably, in 2023 alone, subscriptions stood at RM12 million, constituting 67% of the total subscriptions since inception. The market has also witnessed continued interest in eSP with a 27% increase in the number of accounts created in 2023, compared to 2022.

FIGURE 2
Snapshot of DIM industry

Size of the industry

AUM
RM1.6 billion
400 times growth since its inception in 2018

Accounts Created
Over 1 million

Client demography

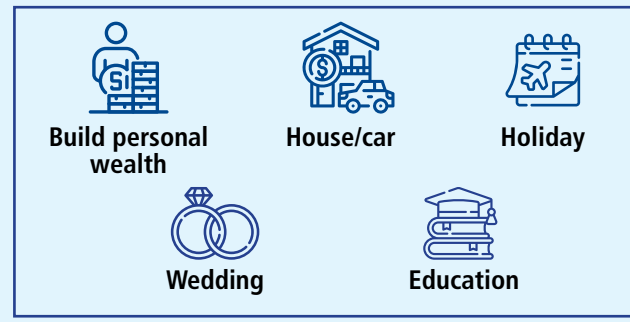
51% Are in their 20s

54% Live outside of Klang Valley

32% Are women

(As of December 2023)

Common investment goals



Digital Assets Market Overview

The first half of 2023 saw a subdued digital asset market, in line with global markets. This was primarily driven by residual effects of the FTX collapse towards the end of 2022 which carried into 2023. The fallout of FTX had a ripple effect on the crypto ecosystem with investors being more cautious and aware of potential risks in digital assets. In the third quarter of 2023, trading volume in Malaysian DAX saw an uptick, in line with global market trends largely driven by Bitcoin and Ethereum prices surging on news of international asset managers interest in issuing for crypto ETFs in the US. Trading value were especially high with an over 300% increase in trading volume across regulated DAXs especially after US SEC ruled in favour of Ripple.

"2023 was a year of expansion in the digital asset ecosystem in products and services across the capital markets".

Across regulated DAXs, retail investors made up over 72% of the investor segment, signalling this asset class is primarily a retail driven market below the age of 45. DAXs added Avalanche (AVAX) and Polygon (MATIC) tokens to their trading platforms in 2023, bringing the total number of tokens traded across DAXs to 11, driven by demand from investors for more trading pairs.

Digital Asset Focus for 2023

In 2023, IEO operators launched their platforms allowing issuers to fundraise through token issuance. This medium of fundraising supported the issuance of securities tokens which are tokenised representations of traditional securities; as well as enabled the issuance of utility tokens which often grants access to unique goods and services. These platforms have assisted in broadening investor access to digital assets. Recognising the rising demand from traditional investors to have exposure to digital assets, 2023 saw the entry of crypto funds which provide sophisticated investors exposure to Bitcoin and Ethereum.

Furthermore, the SC has granted approvals-in-principle to three local DAC, among them, one has gone *live* in 2023. DACs serve to safekeep digital assets in a protected environment using advanced security measures to prevent hacking attempts or unauthorised access, paving the way for regulated players and investors to securely store their digital assets. Incumbents have been reliant on third-party technology service providers for their custodial services but new entrants in the local market have enabled DAXs, IEOs, fund managers (FMs) and other institutions to leverage off their custodial solutions.

While promoting innovation, investor protection remains paramount in the capital market. With the advancements of technology and maintaining competitiveness in the market, the SC will explore using cases with high propositions alongside industry partners. Use cases which have been highlighted from industry feedback include eKYC through Digital Identity and asset tokenisation.

Asset tokenisation has been a prominent topic within the capital market which essentially enables better investor access and increases liquidity of traditional securities through tokenisation. There has been a growing interest among local incumbents to explore tokenisation of traditional assets such as fixed income instruments and fund products in 2023.

EMBRACING INNOVATION FOR GREATER GROWTH

The SC remains committed to fostering innovation and technological advancement within the Malaysia capital market to address increasing demand for digital and online services. This approach is aimed at accelerating digitisation among capital market entities and adoption of innovative fintech solutions in the overall ecosystem, leading to greater growth and development in the market.

Catalysing Digitisation of the Capital Market through Digital Innovation Fund

Recognising the role of capital market players in pushing new frontiers via digitalisation, the Digital Innovation Fund (DIGID) was set up by the SC to co-fund new-to-market, scalable and sustainable innovative solutions. In line with the SC's MSME agenda, the RM30 million fund aims to support smaller capital market players to develop projects that leverage technology. Additionally, this initiative aims to foster new growth opportunities and competitive propositions within the Malaysian capital market.

DIGID will be administered over a three-year period – from 2023 to 2025, or until fully utilised. The funding amount per project will defray up to 70% of approved qualifying expenses, capped at RM500,000. Successful DIGID Award recipients will receive funding on a

In 2023, 15 projects were selected for the DIGID Award, with solutions as follows:

Modalku Ventures (Funding Societies) AI-driven Smart Financing	**Halogen Capital** DLT-based Fund Administration Solution	**VKA Wealth Planners** Dynamic Financial Planning Solution
MULA Advisory Algo-driven Financial Coaching	**Capsphere** Enriched Credit Scoring with Alternative Data	**Advisonomics (Cashku)** Data-driven Advisory
Crea8 Capital AI Powered Sustainable Investing	**Versa Asia** Transforming Access to PRS Solutions	**Bond Pricing Agency Malaysia (BPAM)** Adaptive ML-Driven Sustainability Taxonomy Platform
StashAway Malaysia Embracing RegTech: Smart Transaction Monitoring Capabilities	**Peoplender (Fundaztic)** Elevating MSME Credit Assessment with AI	**Sinegy** Enhancing Retail Access to Digital Assets
Bay Smart Capital Ventures Predictive Analytics using ML Algorithms	**MyStartr** Leveraging AI to Enhance Regtech Capabilities	**Bay Supply Chain Technology** Embedded Financing within the Supply Chain Process

reimbursement basis upon completion of agreed-upon milestone deliverables, which includes a presentation of the completed solution and accomplishment of its intended outcomes.

The DIGID initiative has unearthed promising solutions that cut across various capital market segments including financial planning, investment advisory, fund management, ECF, P2P financing, bond market, unit trust, PRS and digital assets segments. These projects seek to adopt technologies including artificial intelligence (AI), data analytics, distributed ledger technology (DLT) and API integrations that enable new sources of growth, enhanced process efficiency, improved customer delivery, and enhanced risk management and regulatory compliance.

DIGID continues to encourage more technology-enabled solutions which can push market boundaries, drive further efficiency, and spur greater inclusion to serve markets or segments which are underserved.

Facilitating Innovation in ICM

The SC seeks to promote innovation and efficient delivery of ICM products and services through fintech. By leveraging fintech as an enabler, the SC endeavors to facilitate the growth and expansion of innovative solutions, focusing on the halal economy, SRI, and social finance.

While digital and fintech adoption in the ICM has expanded across Islamic ECF, P2P financing and DIM sercives – there is a need to spur growth in these areas. In 2021, the SC, in collaboration with the United Nations Capital Development Fund (UNCDF), introduced FIKRA, Malaysia's first regulator-led Islamic fintech accelerator. FIKRA, which translates to 'ideas', aims to identify and scale relevant and innovative Islamic fintech solutions that can help address three main challenge areas, namely, new ICM offerings, accessibility and social finance integration.

As part of the SC's continuous effort to develop a vibrant Islamic fintech ecosystem in Malaysia's ICM, FIKRA ACE – the enhanced, three-year fintech initiative, was introduced in June 2023. Expanding from FIKRA which adopts a single accelerator approach, the newly launched FIKRA ACE consists of three components:

FIKRA ACE ACCELERATOR

Accelerator, an Islamic-solutions focused accelerator programmme

FIKRA ACE CIRCLE

Circle, a networking platform to connect relevant stakeholders of the ICM and fintech industry

FIKRA ACE EXCEL

Excel, a platform for collaborations with higher learning institutions for capacity building

The overarching goal of FIKRA ACE is to identify companies with fintech solutions to nurture, grow, and connect with the ICM ecosystem in various segments. The initiative also aims to support the Islamic fintech space by building capacity and a talent pipeline for the industry.

The first component of FIKRA ACE, i.e. the Accelerator programme, commenced on 5 September 2023, which was organised in collaboration with Malaysia Digital Economy Corporation (MDEC). The 8-week programme concluded with a Demo Day held on 9 November 2023, of which 10 startups were selected as finalists to pitch their ideas to a panel of judges and potential investors and industry partners. The 10 finalists were EPC Blockchain, Eversustain, Global Psytech, Pewarisan, Pod, HalalStocks, GreenArc Capital, Refundway, Sampul, and W Vault by Wahine Capital. Global Psytech and Pewarisan emerged as winners for the 2023 cohort and earned a combined total cash prize of RM80,000.

Subsequent to the conclusion of the Accelerator programme, the second component of FIKRA ACE – Excel, which involves collaboration programmes with higher learning institutions, will be launched in 1H 2024.

ENHANCING TECHNOLOGY AND CYBER RESILIENCE

Digital revolution has ushered in a new era marked by connectivity, convenience, and innovation. Consequently, an increasing number of capital market entities have harnessed these technologies to conduct their business. However, with the rapid adoption of technology, particularly in the capital market industry, the landscape is not without its challenges. Technology and cyber risks and threats are becoming more prevalent. To strengthen technology and cyber resilience, the SC has embraced a comprehensive four-pronged approach (1) cyber threat intelligence and awareness; (2) capability development; (3) policies and guidelines; and (4) audit inspection.

Cyber Threat Intelligence and Awareness

In today's digital landscape, where cyber threats continue to escalate in sophistication and scale, it is imperative for organisations to adapt and fortify their defences. Lack of capabilities in managing cyber threats could cause organisations to be vulnerable and exposed to cyber predators attacking for their advantage. As technology evolves, so do the tactics employed by cyber predators, making it crucial for businesses to stay ahead in the cybersecurity game.

Recognising the pressing need, the SC takes a proactive approach by publishing its Cyber Threat Intelligence and Awareness (CTIA) analysis bi-annually to share observations on the evolving cyber risk landscape within the Malaysian capital market. The goal is to demonstrate commitment to the security of the capital market by providing the industry with timely and accurate information that will enable the organisations to prioritise resources, at the same time to better prepare them and enhance their understanding of potential cyber threats.

Cyber-attacks analysis of global trends in 1H 2023 revealed that ransomware accounted for a staggering 34% of reported incidents globally, followed closely by data breaches at 21%, and malware at 15%. Notably, similar trends were observed in Malaysia, with ransomware constituting 31% of cyber incidents, data breaches at 27%, and malware at 15%. These statistics underscore the gravity of the cybersecurity challenges faced by both the world and the nation. The cyber-attack analysis also sheds light on some distinctive trends within Malaysia, specifically the rising occurrences of mobile attacks and supply chain attacks. These observations align with the findings presented in the SC's 2H 2022 CTIA report. In that report, both mobile attacks and supply chain attacks were prominently acknowledged as burgeoning threats to the societal landscape, emphasising the need for vigilance and preparedness in these domains.

Capability Development

The insights gleaned from the SC's assessment of global and local threat trends have reinforced its commitment to enhance the preparedness and response capabilities of capital market entities. By aligning the content focus of SC Capital Market Cyber Simulations (CMCS) with the emerging threat landscape, we ensure that the exercises directly address the most pertinent and pressing challenges faced by the industry. This synergy between threat analysis and content development not only facilitates a more targeted and effective approach but also strengthens the overall resilience of the sector, allowing the SC to be better prepared in the ongoing battle against cyber threats.

In essence, the SC's decision to align its capability development exercise with the threat landscape analysis is a proactive measure to empower capital market entities with the knowledge and skills required to mitigate risks and safeguard the integrity of the financial industry.

Policies and Guidelines

Looking ahead, technological advancements and changing consumer behaviours will continue to shape the future of the capital market. More capital market entities are embracing technology as the digital revolution reshapes the business landscape. Technologies like blockchain and AI are revolutionising traditional financial systems, paving the way for more transparent, efficient, and decentralised financial ecosystems.

As such, capital market entities need to proactively addresses the potential technology risks, including

FIGURE 4
Guidelines on Technology Risk Management

cybersecurity and the ethical considerations surrounding AI. These technology risks hold particular significance in the context of the capital market, as disruptions within a financial intermediary could result in substantial financial losses for investors and even trigger systemic market events should it spread to other market participants.

As data and technology become more intertwined with the capital market, it is crucial to remain mindful of the risks posed to investors, intermediaries, and the market as a whole.

The SC introduced the *Guidelines on Technology Risk Management* (GTRM) on 1 August 2023, to provide a comprehensive regulatory framework for managing technology risk in capital market entities. These policies are designed to establish clear protocols for safeguarding information, mitigating cyber threats, and ensuring a secure digital ecosystem within the financial sector. The GTRM is expected to come into full force by the third quarter of 2024. These guidelines strive to be the central reference on technology risk management, serving as a framework for supervisors during assessments and examinations of entities. Additionally, it provides clear guidance on the GTRM requirements, setting the SC's expectations for technology risk management among capital market entities.

Ultimately, the SC's objective is for all capital market entities to establish a robust and sound technology risk management framework, ensuring cyber resilience.

Audit Inspection

By conducting supervisory assessments, the SC aims to identify vulnerabilities, assess the effectiveness of existing technology security practices and cybersecurity measures, and promote continuous improvement in the overall technology and cyber security posture of capital market entities.

In 2023, the SC conducted a series of supervisory assessment on selected capital market participants which included onsite examination of the resilience of their cyber and technology risk management. Among others, these assessment takes into consideration the potential

risk of ambiguity in technology and cyber security roles, failure to assess and address security risks associated with third-party, unidentified technology risk due to lack of tech risk management frameworks, delayed incident response and incomplete incident analysis.

By addressing these areas of concern, the SC strives to not only identify vulnerabilities but also to foster a culture of continuous improvement. Through collaborative efforts with market participants, the SC endeavors to enhance the overall cyber security resilience of the capital market, ensuring a secure and robust digital environment for all stakeholders.

FACILITATING ESG THROUGH THE CAPITAL MARKET

SRI continues to be one of the key priorities for the development of the Malaysian capital market. In 2023, the SC introduced several initiatives to strengthen the development of a facilitative SRI ecosystem, including meeting the country's transition finance needs.

As Malaysia transitions to a low-carbon economy, the capital market plays an instrumental role in intermediating private sector investment and bridging the gap in public sector financing for sustainability and transition purposes. From the sustainable fixed income segment, RM27.61 billion of SRI sukuk have been issued as of December 2023. Out of the total SRI sukuk issuances, RM25.27 billion were dually recognised under both the SRI Sukuk Framework and one of the ASEAN Green, Social and Sustainability Bond Standards.

Enhancing Clarity of SRI through the Development of the SRI Taxonomy Plus Standard

The rise of sustainable investments has led to the need for more clarity and guidance for market participants in identifying activities that would qualify as sustainable investments, as well as the need to mitigate the risks of greenwashing. Various jurisdictions, such as the European Union (EU), ASEAN, China, India, United Kingdom, Malaysia, Indonesia, Thailand, Singapore and Vietnam have issued or are developing sustainable finance-related taxonomies to further guide the development of sustainable finance and investments within their respective region and jurisdiction.

For the ASEAN region, the *ASEAN Taxonomy for Sustainable Finance* (ASEAN Taxonomy), developed by the ASEAN Taxonomy Board (ATB), of which the SC is a member, will serve as an overarching taxonomy for the region. However, the ASEAN Taxonomy does not preclude the ASEAN member states from developing its own national taxonomy.

In line with the recommendation of the SC's *SRI Roadmap for the Malaysian Capital Market* (SRI Roadmap), *the Principles-Based SRI Taxonomy for the Malaysian Capital Market* (SRI Taxonomy) was issued in December 2022. The SRI Taxonomy aims to enable a wide range of users to identify and classify economic activities in alignment with the environmental, social and sustainability objectives. Following the issuance of the SRI Taxonomy, the SC continues to engage with the relevant stakeholders to enhance understanding and encourage greater adoption of the SRI Taxonomy within the Malaysian capital market.

Moving forward, the SC will work on the next iteration of the SRI Taxonomy that will provide greater guidance to the industry. This includes future refinements of the SRI Taxonomy and development of more detailed guidance that is consistent with national policies.

Driving More Sustainable Finance and Investments to the Private Markets

In line with the recommendation of the SC's SRI Roadmap on widening access to SRI through alternative funding avenues such as VC, PE, ECF and P2P financing platforms, the SRI Guide for Private Markets was issued in December 2023. The SRI Guide for Private Markets aims to provide voluntary guidance to venture capital management corporations (VCMCs), private equity management corporations (PEMCs), ECF and P2P financing platform operators on incorporating sustainability considerations in the investment process and due diligence process, as well as to facilitate VCMCs, PEMCs, ECF and P2P financing platform operators in assessing sustainability status of portfolio companies and fundraising campaigns.

The Joint Committee on Climate Change

The SC and BNM continue to collaborate in strengthening the financial sector's response to climate change. As Malaysia transitions towards a low-carbon economy and a more sustainable future, it is critical that both companies and financial institutions play their part in facilitating this transition. The Joint Committee on Climate Change (JC3), through its initiatives, is actively exploring ways to assist companies to move towards a low-carbon economy in a just and orderly manner, while supporting financial institutions to accelerate capital allocation towards companies demonstrating credible climate transition pathways.

The year saw the progress of the initial green pilot projects and several capital market initiatives supported by JC3 that aim to expand sustainable and transition finance. The projects and initiatives focus on greening supply chains, scaling up green technology adoption in the agriculture sector and supporting the development of the sustainable sukuk and bond market.

The JC3 has established the SME Focus Group in 2023, focusing on enhancing awareness, facilitating green and sustainability certification, and facilitating better disclosures by SMEs. These efforts aim to ease the processes and reduce overall transition cost faced by SMEs. The establishment of the SME Focus Group is timely to ensure the backbone of the country's economy is given special attention as their collective actions hold immense potential to shape our economic trajectory and to contribute to job creation and overall societal well-being.

Read more on media release 'Joint Statement by Bank Negara Malaysia and Securities Commission Malaysia Updates at the 10th Joint Committee on Climate Change (JC3) Meeting'.
https://www.sc.com.my/resources/media/media-release/joint-statement-by-bank-negara-malaysia-and-securities-commission-malaysia-updates-from-the-10th-joint-committee-on-climate-change-jc3-meeting

Read more on media release 'Joint Statement by Bank Negara Malaysia and Securities Commission Malaysia Updates at the 11th Joint Committee on Climate Change (JC3) Meeting'.
https://www.sc.com.my/resources/media/media-release/joint-statement-by-bank-negara-malaysia-and-securities-commission-malaysia-updates-from-the-11th-joint-committee-on-climate-change-jc3-meeting

Accelerating Growth of Sustainable Investments for the Capital Market

The SC issued a revised set of *Guidelines on Sustainable and Responsible Investment Funds* (Guidelines on SRI Funds) on 17 February 2023, which came into effect immediately upon its issuance. The revised Guidelines on SRI Funds enhances the disclosure and reporting requirements to mitigate greenwashing risk while ensuring alignment with the *ASEAN Sustainable and Responsible Fund* (ASEAN SRF) *Standards* that were issued in October 2022.

Under the revised Guidelines on SRI Funds, a qualified SRI fund or a fund seeking to qualify as an SRI fund may also seek to qualify as an ASEAN SRF if the issuer can ensure that the SRI fund complies with the ASEAN SRF Standards issued by the ASEAN Capital Markets Forum. The allignment between the Guidelines on SRI Funds and the ASEAN SRF Standards would also enable fund managers to tap into the regional pool of investors.

As at December 2023, the size of SRI funds in Malaysia is RM7.7 billion NAV made out of a total of 68 SRI funds.

Promoting sustainable investment

The SC also supported the development of several initiatives under the *Perkukuh Pelaburan Rakyat* (PERKUKUH) programme under the MOF, focused on promoting good governance to facilitate sustainable growth, enhance socioeconomic inclusivity, and ensure environmental sustainability. The SC, as the lead of PERKUKUH #11 WG, supported MOF in spearheading the development of the *Sustainable Investing Standards* (SIS), which was released on 26 May 2023, and aims to enhance the role of government-linked investment companies (GLICs) in sustainable investments, by providing guidance in incorporating sustainability considerations into the investment process.

Availability of data on corporate bonds and sukuk issued under the SC's SRI Sukuk Framework, and ASEAN Green, Social and Sustainability Bond Standards to the public

Making available enrivonmental, social and governance (ESG) data to the public remains crucial. The availability of such information aims to enhance information transparency as well as facilitate well-informed investment decisions. Towards this end, data on corporate bonds and sukuk issued under the SC's SRI Sukuk Framework, and the ASEAN Green, Social and Sustainability Bond Standards has been made publicly accessible via the Bond + Sukuk Information Exchange (BIX) website.

Development of the National Sustainability Reporting Framework by the Advisory Committee on Sustainability Reporting

An inter-agency ACSR was established by the SC, with endorsement from the MOF to address the implementation of the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB) in Malaysia. The ACSR is mandated to look into the implementation approach, timing, assurance framework as well as the required structure for regulatory oversight. All of which is encapsulated as Malaysia's National Sustainability Reporting Framework (NSRF). The ISSB standards was issued on 26 June 2023, in a response to demands particularly from investors to improve the quality, reliability and comparability of sustainability information.

Chaired by the SC, members of ACSR comprise representatives from the Audit Oversight Board, BNM, Companies Commission of Malaysia, Bursa Malaysia, and the Financial Reporting Foundation.

The ACSR also formed a Consultative Group with members comprising a cross-segment of stakeholders including listed companies, assurance providers, professional bodies, industry associations as well as mid-tier companies to solicit feedback on the proposed NSRF. An offsite engagement was organised in November 2023 to support the feedback-gathering process.

The committee also engaged the International Auditing and Assurance Standards Board on 9 October 2023 to discuss the International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements, and issues which the ACSR is deliberating on in relation to the assurance of sustainability information. The ACSR plans to undertake a broader consultation on NSRF in Q1 2024.

SME Governance Working Group

The SME Governance Working Group (Working Group) chaired by the SC continued with its efforts to develop a governance toolkit for SMEs. The Working Group convened earlier in the year and engaged Khazanah Research Institute and SME Bank Malaysia in order to obtain a macro view of issues relevant to the development of the toolkit. This includes the role of small businesses in the Malaysian economy, and governance in levelling up these businesses for the next phase of economic development.

The Working Group also provided comments on the draft simplified ESG Disclosure Guide for SMEs, which is developed by Capital Markets Malaysia (CMM), in particular the governance-related disclosures.

The Malaysian Institute of Corporate Governance, a member of the Working Group is leading the development of the toolkit, which is targeted for issuance within 1H 2024, after a public consultation in Q1 2024. The development of this toolkit is in line with a strategic goal under the *Twelfth Malaysia Plan* to strengthen the governance of SMEs.

Participation in the 45th and 46th Organisation for Economic Co-operation and Development Corporate Governance Committee Meetings

The SC represented Malaysia at the 45th and 46th Organisation for Economic Co-operation and Development (OECD) Corporate Governance Committee (CGC) meeting that was held from 14 to 15 March 2023 and 13 to 14 November 2023, respectively, at the OECD Headquarters in Paris. The meetings focused on finalising the draft revision to the *G20/OECD Principles of Corporate Governance* (Principles), the internationally accepted framework on corporate governance. The latest revisions include new and updated guidance on

shareholder rights, the role of institutional investors, corporate disclosure and transparency, the responsibilities of boards, and, for the first time, on sustainability and resilience to help companies manage climate-related and other sustainability risks and opportunities. The Principles were subsequently issued by the OECD on 11 September 2023. At the 46th meeting, the CGC discussed the priorities and plans for implementation of the revised Principles.

Commencement of the mandatory onboarding programme on sustainability for directors of listed companies

The SC spearheaded the development of a new mandatory onboarding programme for directors of listed companies, the Leading for Impact Programme (LIP).Directors' enrolment in LIP was made mandatory via amendments to the Bursa Malaysia Listing Requirements which came into effect on 1 August 2023.

First-time directors of listing and transfer applicants must complete the programme within 18 months from the date of appointment or admission, whereas existing directors must complete the LIP within 24 months from the effective date.

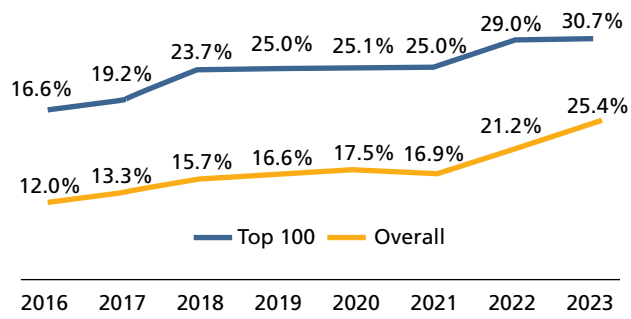
The development of LIP is in line with the SC's *Corporate Governance Strategic Priorities 2021-2023*, aimed at strengthening the ability of boards to address sustainability effectively. The Institute of Corporate Directors Malaysia (ICDM) was appointed as the service provider for LIP. On 11 and 12 July 2023, ICDM conducted a two-day virtual pilot run for LIP with the board and senior management of the SC, Bursa Malaysia, ICDM as well as the Chairman of selected listed companies. The first LIP was conducted from 7 to 10 August 2023, with 14 more sessions conducted in 2023. More than 900 directors have attended the programme this year.

Biennial regional corporate governance assessment by the Asian Corporate Governance Association

The SC held its biennial engagement with the Asian Corporate Governance Association (ACGA) on 27 June 2023 for purposes of the Corporate Governance Watch (CG Watch) 2023 assessment. The CG Watch is a regional assessment that evaluates the macro corporate governance quality in 12 Asia-Pacific markets. The SC shared key measures that were implemented to drive good governance in the capital market since the last assessment on 13 July 2020.

In December 2023, the ACGA announced the outcomes of the 2023 assessment and Malaysia maintained its 5th position among the 12 Asia-Pacific markets, with improvements recorded in six out of the seven assessment categories. Malaysia was ranked 1st in the category of Auditors and audit regulators, and came in 2nd after Australia in the category of Listed Companies as well as Corporate Governance Rules which measures listed companies' adoption of corporate governance practices and strength of corporate governance rules, respectively. The detailed individual country reports will be released by the ACGA in Q1 2024.

30% target achieved for women participation on boards of the top 100 listed companies



(As of December 2023)

On 1 June 2023, the 30% target for women participation on the boards of the top 100 listed companies was achieved. This was following the introduction of the rule to require all boards of listed companies on Bursa Malaysia to comprise at least one-woman director in May 2022, which came into effect for large listed companies (those with market capitalisation of RM2 billion and above) on 1 September 2022 and for the remaining companies on 1 June 2023. Prior to the introduction of the rule, progress was recorded, but improvements were marginal between 2019 to 2021, which necessitated the introduction of the rule. The SC continues to encourage, through the *Malaysian Code on Corporate Governance* (MCCG) for listed companies to ensure that their boards comprise at least 30% women directors, and as of 1 December 2023, 30.7% of the top 100 listed companies have achieved that target.

REVITALISING THE CAPITAL MARKET VIA FACILITATIVE FRAMEWORK

Review of the Capital Markets and Services Act 2007 and the Securities Commission Malaysia Act 1993

The SC is undertaking a holistic review of the CMSA to ensure that the securities laws remain fit-for-purpose. The review is part of the SC's efforts to modernise the CMSA and promote efficiencies to enable the capital market to remain competitive while maintaining adequate investor protection. Among the areas under review are in relation to the capital market infrastructure, licensing framework, disclosure requirements accompanying an offer of a capital market product, the approval process for corporate proposals and takeovers regulations.

The SC has engaged the various stakeholders for feedback to ensure the comprehensiveness of its review which includes industry engagements and focus group consultations. By seeking input from stakeholders across the industry, the SC would also be able to identify potential gaps and gain valuable insights into how best to improve the CMSA.

In tandem with the CMSA review, the SCMA is also being reviewed to modernise and streamline its provisions with the new CMSA. This includes ensuring that the SC is well positioned to address the fast-evolving digital advances in the capital market.

ENHANCING THE TALENT PIPELINE IN THE CAPITAL MARKET

Recognising the importance of human capital growth in the capital market, the SC continues to enhance the talent pipeline in the capital market. Besides the capacity-building initiatives in ICM such as the Islamic Capital Market Talent Development (ICMTD) Programme and the Shariah Mentorship Programme, the SC has embarked on the 3-year Capital Market Graduate Programme known as *investED*, which is in tandem with the national agenda and supported by the Ministry of Finance and Ministry of Higher Education.

ICM Talent Development Programme

The ICMTD programme is a capacity-building initiative developed by the SC and run by the Securities Industry Development Corporation (SIDC). The ICMTD programme is specially designed to facilitate the development and upskilling of graduates seeking a career in the ICM. ICMTD also offers an internship programme to selected participants, geared towards channeling fresh talent for the future development needs of the ICM. Since its inception in 2009, the programme has produced a total of 26 cohorts with 1,042 graduates.

After nearly 14 years, the ICMTD programme concludes with the last cohort in 2023, as the SC shifts from a wide-based approach to a more focused approach for talent and capacity building within the ICM.

Shariah Mentorship Programme

The Shariah Mentorship Programme (SMP) was introduced in 2023 as one of the SC's targeted strategies in capacity building to meet the specific needs of the ICM industry. At its core, SMP is designed to create a continuous talent pipeline of Shariah advisers equipped with adequate technical competencies and knowledge of ICM products and offerings and appropriate regulatory expertise. The framework and structure of SMP are designed to equip the participants with the necessary skills and resources suited for Shariah advisory roles, ensuring continued growth and relevance of Islamic finance principles on a global scale.

SMP is open to fresh graduates with Shariah background, or Shariah officers with less than two and half years of experience in Islamic finance or ICM. The programme spans eight months and will include comprehensive classes to establish strong foundational knowledge and skills, followed by an internship with industry partners for practical experience in ICM.

The first cohort for SMP commenced in October 2023 where 15 participants were chosen out of 273 applicants.

SPECIAL FEATURE 3

investED (FORMERLY KNOWN AS THE CAPITAL MARKET GRADUATE PROGRAMME)

Introduction

Malaysia's capital market has demonstrated commendable performance overall, outperforming its counterparts in emerging markets, and even comparatively doing better than some of the advanced financial markets. To enhance its competitive advantage, it is crucial for Malaysia's capital market to be future-ready and the preferred destination for investors. A sufficient pipeline of talent pool becomes increasingly necessary amid future growth needs.

At the SC Industry Dialogue 2022 and Budget 2023, one of the key concerns that was consistently raised by the capital market industry players and corporate captains was the acute shortage of skilled talent in Malaysia. This phenomenon is not unique to Malaysia or the capital market. In fact, a Korn Ferry Research (2019) projected that by 2030, there will be a global talent deficit of 85.2 million workers across the economies, and the financial and business services sector having a skilled talent shortage of 10.7 million workers. This global talent deficit could result in $8.452 trillion in unrealised annual revenue by 2030. Expect greater competition for talent.

This challenging situation is further supported by the data from the Institute for Capital Market Research Malaysia (ICMR) (2021) report, illustrating that the industry is grappling with an ageing demographic. Based on industry surveys and direct engagements we have been having with industry players, the SC found that nearly 50% of the professionals are over 50 years old. There are professionals who are in the 70-80 age bracket. The SC also observed that the percentage of the younger talents, aged 30 and below, has been decreasing over the years to only about 8%. [In 2020, Malaysia's median age is 30 years].

In an ICMR survey among CEOs of licensed intermediaries,fresh graduates were rated lower in quality than the company's existing in-house talent. This perception suggests a potential gap in industry knowledge, leading intermediaries to prefer hiring experienced workers over fresh graduates.

Establishment of investED

In addressing the talent shortage in the capital market, the SC is championing the development of a sustainable pool of skilled talent, aligning with its development mandate. The Capital Market Graduate Programme (CMGP) was initiated in collaboration with MOF and Ministry of Higher Education (MOHE), with support from industry players and universities. The project was funded under the Capital Market Development Fund (CMDF) for the value of RM30 million from 2023 to 2025, a three-year initiative.

The objective of CMGP is to attract Malaysian fresh graduates and prepare them to be ready talents for absorption into the capital market industry. This programme focuses on:

i. Creating greater awareness of the capital market industry and enhancing capacity among graduates.

ii. Building a talent pipeline of graduates for the Malaysian capital market.

The strategic collaboration among the Ministry, industry, universities, and the SC has a significant impact on the overall delivery of the programme. The institutionalise of governance structure such as Steering Committee and Implementation Committee plays a crucial role in providing guidance, monitoring the overall progress, and assessing the performance of the programme.

The three-year CMGP programme is guided by the following annual key performance indicators (KPI):

Career Fairs and Career Talks

- To organise at least 20 sessions of Career Talk for 3,000 students per year.
- To participate/organise in six Career Fairs per year.

Foundation Programme

- SIDC's Structured Programme/Certification for 800 students per year.

Leadership Programme and Job Placement

- 200 Malaysian graduates from local and overseas universities per year.

At its conclusion, the programme would ultimately benefit a total of 9,000 students and subsequently generating employment prospects for 600 graduates.

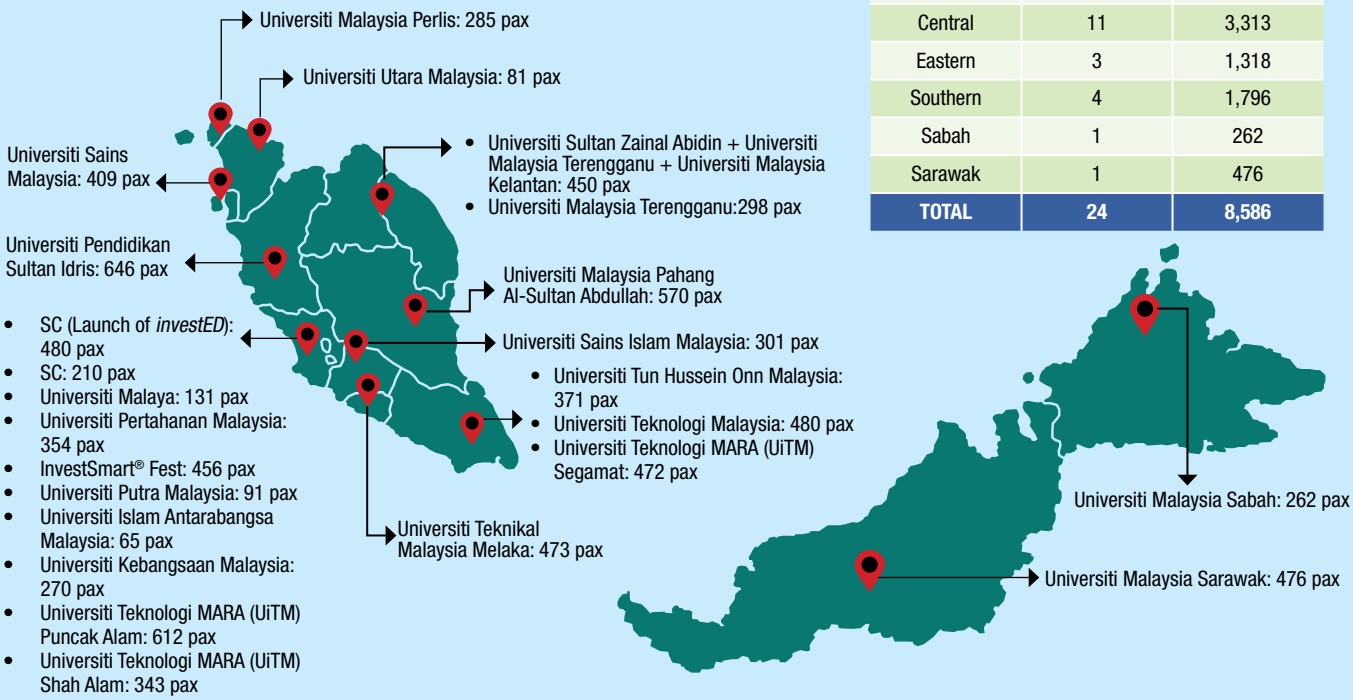
On 19 June 2023, Prime Minister Datuk Seri Anwar Ibrahim launched the CMGP under a new brand called '*investED*,' witnessed by the Minister of MOHE, Dato' Seri Mohamed Khaled Nordin, along with industry key players, ministry representatives, universities, and graduates. This event signifies a strong collaboration and commitment from all parties.

Our Progress So Far

Career Fairs and Career Talks

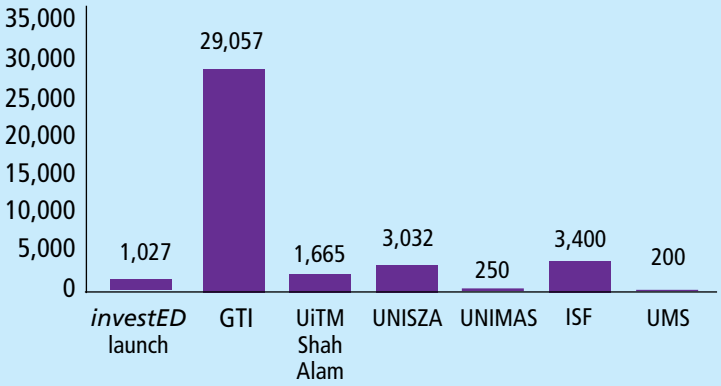
The SC strategically planned a series of six Career Fairs and 20 Career Talk sessions with the support of capital market industry key players spanning across various locations in Malaysia. To date, the SC has actively participated in seven Career Fairs and delivered 24 Career Talk sessions across Malaysia, engaging with local universities and public events. This initiative has successfully reached 8,586 students in 2023.

FIGURE 1
investED nationwide career talks



24 locations, 8,586 pax		
Zone	Location	No. of pax
Northern	4	1,421
Central	11	3,313
Eastern	3	1,318
Southern	4	1,796
Sabah	1	262
Sarawak	1	476
TOTAL	24	8,586

CHART 1
Career fair - number of attendees



No.	Institution	Quantity	Engaged
1.	IPTA	20	20
2.	IPTS (university level)	57	0
3.	GLU	4	0
	TOTAL	81	20

The career talk sessions are structured, beginning with an introduction to *investED*, followed by an overview of the SC, an inspiring iconic speaker session, and concluding with a panellist session. The speakers, representing diverse backgrounds within the capital market industry at various levels, bring a wealth of experience and insights to these sessions. Recognition and appreciation are extended to the commitment of 77 individuals who volunteered and contributed throughout all the sessions organised nationwide.

Foundation Programme

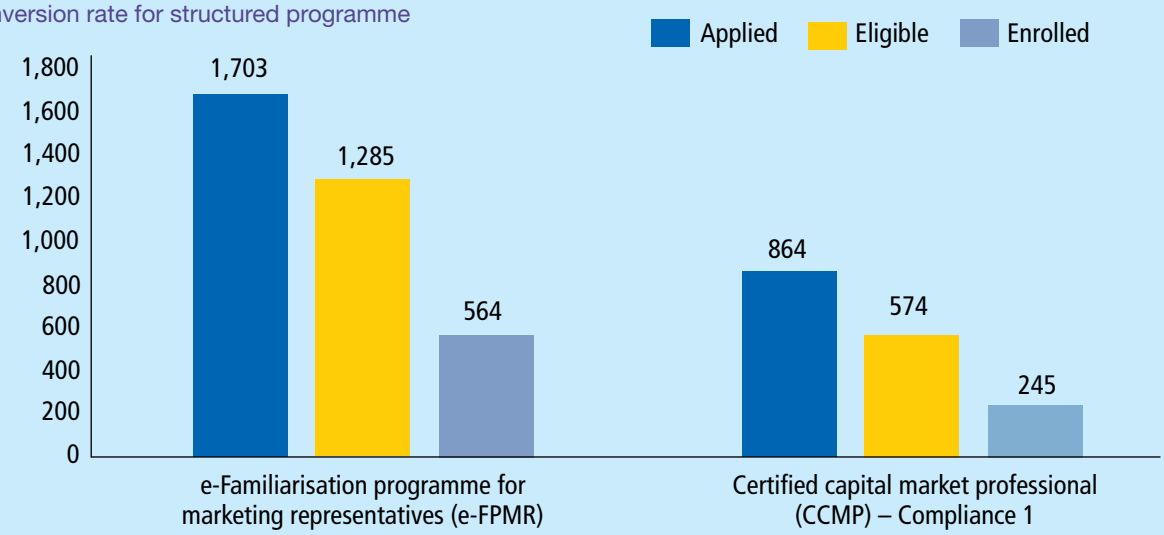
Under the Foundation Programme, the SC provides two separate certification programmes: e-Familiarisation Programme for Marketing Representatives (e-FPMR) and Certified Capital Market Professional (CCMP)-Compliance 1. The programme is available to all fresh graduates or those who graduated in less than two years. The following are the details of the two programme:

1. The e-FPMR is designed and managed by SIDC, acting as a mandatory step for individuals seeking registration as Marketing Representatives (MR).

2. CCMP-C1 is designed for those who aspire to pursue a career in compliance within the capital market.

Both certification programmes are easily accessible online through the SIDC Learning Management System. To date, e-FPMR received approximately 1,703 applications, while CCMP-C1 received a total of 864 applications. In total, 2,567 applications were received for both certification programmes. Following this, 809 individuals enrolled in both programmes. Upon successful completion, individuals who pass the assessment will receive a certificate of completion.

CHART 2
Conversion rate for structured programme



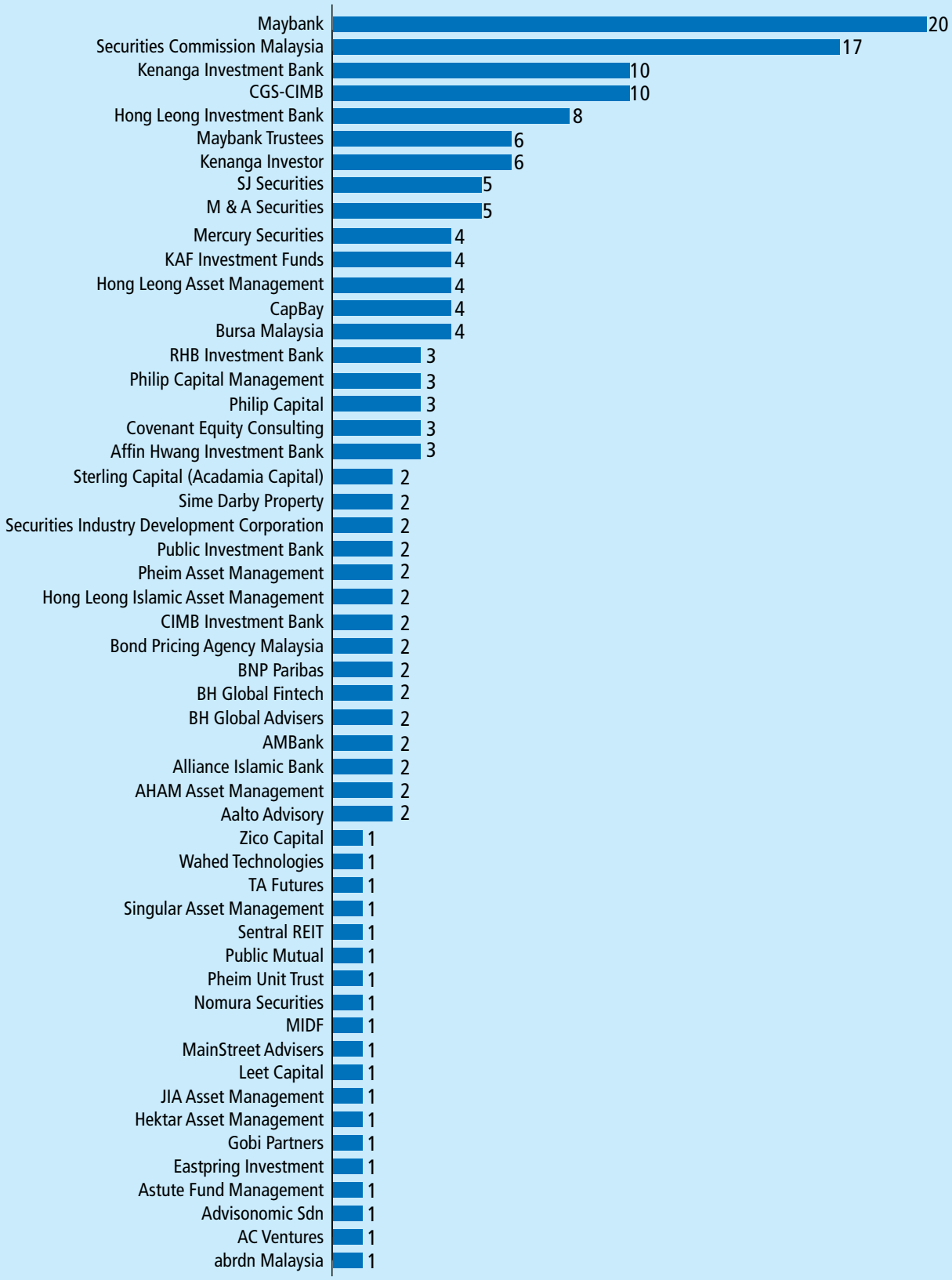
Leadership Programme and Job Placement

As part of an initiative to cultivate a diverse and highly skilled talent pool for the capital market, the SC has launched the Leadership Programme and Job Placement initiative. The programme consists of a rigorous one-month classroom training followed by a six-month on-the-job placement at collaborating companies within the capital market industry.

This programme is specifically designed to accommodate graduates from non-conventional backgrounds, such as engineering and mathematics, aiming to bring unique perspectives into the industry.

The application period for the Leadership Programme and Job Placement for the first cohort was made available from 10 April 2023 to 15 July 2023, coinciding with the signing of the MOU between the SC and MOHE. In total, the SC received more than 1,000 applications and extended enrolment offers to 275 individuals for this programme. Out of these 275 offers, 171 talents (approximately 62%) accepted, while 104 talents (about 38%) declined due to other opportunities.

CHART 3
Host companies for *investED* Leadership Programme and Job Placement

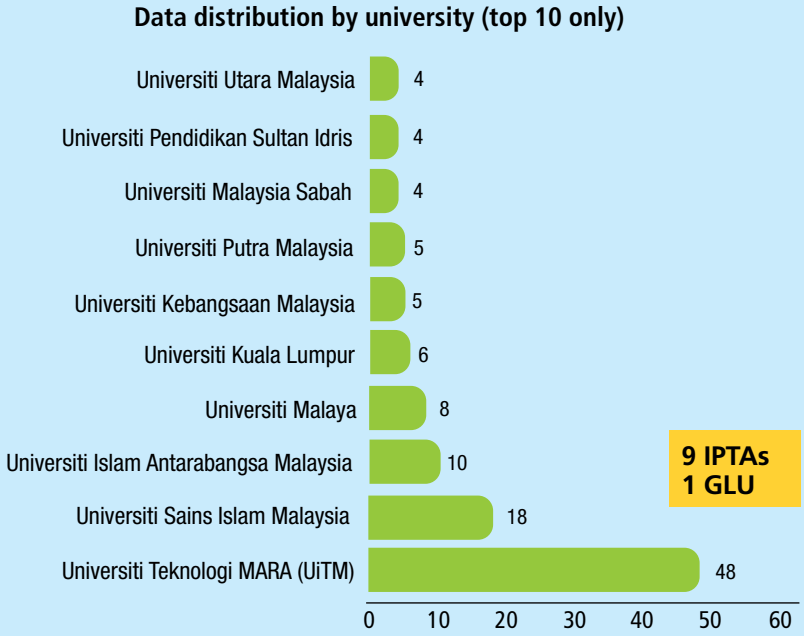


On 7 August 2023, the SC successfully inaugurated the first cohort of the Leadership Programme and Job Placement, featuring a total of 171 enrolled trainees.

In Chart 3, the list of host companies is depicted alongside the number of trainees placed at each respective company. A total of 53 *investED* partners provided placement opportunities to 171 *investED* trainees. It can be observed that Maybank demonstrated the highest commitment by hosting 20 trainees, followed by the SC with 17 trainees, and CGS-CIMB with 10 trainees.

CHART 4
Trainees distribution by higher institutions

Higher Institutions		Headcounts
IPTS	17	30
Overseas	15	14
IPTA	14	115
GLU	3	11
Polytechnic	1	1



Upon the completion of Leadership Programme and Job Placement, a total of 66 trainees have been offered full-time employment, representing 39% of the first cohort. A survey conducted among first cohort of trainees indicated that 92% would recommend *investED* to their friends and family.

Graduation of the first cohort is scheduled to take place in May 2024. The second cohort would be open for application in March 2024.

Conclusion

One of the key observations of the programme is the collaboration and commitment from all parties to ensure the programme benefits the future talent of the Capital Market. This would not be possible without the strong communication, collaboration, and commitment from the key stakeholders and the working team comprising 46 individuals (excluding on-ground support), who were instrumental in making the *investED* initiatives possible.

INTERNATIONAL ADVOCACY AND DEVELOPMENTS

Apart from developing the domestic capital market, the SC continues to demonstrate its commitment to global regulatory policymaking and international standard-setting.

As a member of the IOSCO Board, the governing and standard-setting body of IOSCO, the SC is at the forefront of global regulatory discussions and policymaking and is able to gain relevant insights into emerging regulatory issues impacting global capital markets. In addition, the SC's continuous contributions in the regional initiatives have resulted in the development and enhancement of the *ASEAN Taxonomy for Sustainable Finance*.

IOSCO APRC SME Financing through Regional Capital Markets

The SC is also an active member of the IOSCO's Asia Pacific Regional Committee (APRC). The APRC is one of four regional committees of IOSCO which focuses on regional issues relating to securities regulation in the Asia-Pacific region.

In 2023, the APRC agreed to undertake work on SME financing through regional capital markets. An APRC SME Working Group led by the SC was subsequently established, where other members include the Australian Securities and Investments Commission (ASIC), Indonesian Financial Services Authority (OJK), Monetary Authority of Singapore (MAS), Securities and Exchange Commission of Thailand (SEC Thailand), State Securities Commission of Vietnam (SSC Vietnam).

As significant drivers of Asia Pacific's economic growth, employment and innovation, SMEs face significant challenges in gaining access to financing. The work will lead to the development of a report in Q1 2024 to enhance APRC members' understanding of the current landscape of SME financing within the region, challenges related to SMEs' access to capital market financing, as well as policy measures and innovative market-based financing solutions to unlock sources of capital for SMEs through capital markets. This work is also expected to help inform the SC's efforts in strengthening its fundraising ecosystem for SMEs within the Malaysian capital market.

The ASEAN Taxonomy for Sustainable Finance

The SC continued to contribute towards the formulation of sustainable finance initiatives within the ASEAN region. This includes development of the *ASEAN Taxonomy for Sustainable Finance* (ASEAN Taxonomy) Version 2, which was launched in March 2023. Version 2 built on an earlier version of the ASEAN Taxonomy was published in November 2021.

Among the elements introduced in Version 2 were a third Essential Criteria (EC3) – Social Aspects, the completion of the Foundation Framework with a set of decision trees and guiding questions, and the introduction of the technical screening criteria (TSC) for the electricity, gas, steam, and air conditioning supply (Energy) focus sector under the Plus Standard.

The TSC released outline thresholds for the Green tier (aligned with the EU Taxonomy), as well as the Amber 2 and 3 tiers. These TSC will be adjusted over time, in line with new technological developments. This is particularly the case for Amber Tiers 2 and 3, which will become more stringent and will ultimately be settled. TSC for carbon capture, utilisation, and storage (CCUS) as an enabling sector was also developed.

Furthermore, a unique feature introduced in Version 2 is criteria governing the early retirement of coal-fired power plants, also known as coal phase-out- a first for a regional taxonomy. The coal phase-out criteria will serve to facilitate energy transition in a region that is still largely powered by coal. This signifies a groundbreaking step by the ASEAN community, highlighting its commitment to sustainable practices and the transition to cleaner energy sources. However, this classification comes with a rigorous evaluation process, subjecting coal phase-out projects to stringent assessment criteria.

The ASEAN Taxonomy has also generated significant global interest, not only as the first regional transition taxonomy to be published globally but also for its specific treatment of important aspects of transition such as coal phase-out. It also provides an important signal of the region's collective commitment towards a sustainable ASEAN and models an example of an inclusive yet credible classification system for sustainable activities that will help equalise climate outcomes across the AMS. This, in turn, will be key to attracting international

investments and financial flows into sustainable projects in the region.

The SC has been working closely with fellow regulators in the region, as well as BNM to ensure the ASEAN Taxonomy is aligned with other guidelines and standards already in existence, including the SRI Taxonomy issued by the SC, and the *Climate Change and Principle-based Taxonomy* (CCPT) issued by BNM.

Version 2 of the ASEAN Taxonomy has undergone a stakeholder consultation process in the second half of 2023, which was led by the SC as chair of the ATB's Working Group on Market Facing and Resourcing. More than 1,300 stakeholders from more than 250 organisations domestically, regionally and internationally were engaged as part of this process.

The ASEAN Taxonomy has always been intended as a living document, frequently revised to account for technological, scientific, and economic developments. In that vein, TSCs for the remaining five focus sectors and two enabling sectors are currently in development and will be rolled out in phases over the next few years.

The ASEAN Capital Markets Forum released the *ASEAN Transition Finance Guidance* (ATFG) Version 1 on 17 October 2023 that addresses how an entity may assess and/or demonstrate a credible transition.

Entities looking to be considered as credibly transitioning should demonstrate two main elements: climate ambition and robustness of ability to deliver on the said ambition. Entities should also select a science-based decarbonisation pathway aligned with the objectives of the *Paris Agreement* or a credible ASEAN-adjusted scenario, if necessary.

The ATFG sets out three tiers of transition finance plans:

- Top two tiers "Aligned and Aligning" with a 1.5C trajectory and well-below 2C trajectory under the Paris Agreement, respectively.

- The third tier, where ambition fails to meet either of the two "Aligned and Aligning" tiers yet is accompanied by essential elements of a credible plan, is categorised as "Progressing".

Thought Leadership on the Global Stage

The SC has consistently strived to put Malaysia's ICM on the global stage through its thought leadership initiatives.

In 2023, the SC continued the 14th installment of the SC and the Oxford Centre for Islamic Studies (SC-OCIS) Roundtable, themed 'Investing Towards the Common Good: Impact, Stewardship, and Ethical Considerations'. This platform brought together industry experts locally and globally in Islamic finance, sustainability, and impact investing, fostering in-depth discussions on the potential of Islamic finance and the ICM to harness the benefits of impact investing.

Stemming from the collaboration of the SC-OCIS Roundtable, the SC and OCIS jointly introduced a visiting fellowship in Islamic finance at the OCIS in 2012. For the academic year 2020/2021, the SC-OCIS visiting fellow under the Scholar in Residence programme published a report in September 2023, which adds to the literature and research on the topic of public policy, insolvency and the application of *maqasid al-Shariah* for evaluating secular policy initiatives.

Alongside the strategic collaboration with OCIS, the SC and World Bank reconvened its annual conference in November 2023 following a three-year hiatus due to the pandemic. The collaboration between the SC and World Bank stemmed from a shared objective to foster the growth of Islamic finance and ICM.

Since 2017, conferences under the flagship name SC-World Bank Conference focuses on themes revolving on public-private partnerships, sustainability and green finance, and social impact investment through financial innovation. The collaboration with the World Bank has solidified the commitment to advance the development of ICM and strengthened Malaysia as one of the leading jurisdictions in championing the sustainability and impact agenda.

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PART 4
STRATEGIC ENGAGEMENTS WITH STAKEHOLDERS

PART 4
STRATEGIC ENGAGEMENTS WITH STAKEHOLDERS

INTRODUCTION

The continuous development of the Malaysian capital market is an effort that requires strong synergies between multiple parties. In that spirit, the SC remains committed to strategic stakeholder engagements, ensuring an inclusive process whereby the needs and interests of all parties are considered when formulating policies and implementing developmental initiatives.

Throughout 2023, the SC actively engaged with a wide network of key stakeholders within Malaysia and beyond, encompassing market participants, financial intermediaries, industry associations, regulatory authorities, businesses, investors, government officials, standard setting bodies, general public and the media. A stakeholder mapping process was applied to categorise the needs of stakeholders, allowing the SC to engage with them appropriately as it strives to be facilitative and respond efficiently to their needs.

The SC leveraged multiple platforms to carry out these engagements, ensuring consistent and constant communication with stakeholders via consultations, meetings, dialogues, and briefings, among others.

Indeed, it is the SC's core belief that the formulation of facilitative and effective policies for the sustained growth of the domestic capital market as well as balanced regulation come only from a deep understanding of the industry and strong collaboration with all relevant stakeholders in the ecosystem.

STAKEHOLDER PERCEPTION SURVEY

The SC embarked on a Perception Survey to garner greater insights as to how the SC is perceived by its key stakeholders. This was one of the initiatives taken in 2023 to enable the SC to better evaluate and diagnose further refinement of its policies and approaches.

Understanding Stakeholder Perceptions

The goal of this survey is to gauge the attitudes of key stakeholders, such as investors and market participants, towards the SC. This insight will enable the SC to align its strategies with stakeholder needs and promote a transparent and efficient market. The survey's impact lies in upholding the SC's reputation and fostering innovation within the Malaysian capital market.

Assess overall perception
Understand stakeholders' view of the SC's effectiveness and credibility.

Identify areas of strength
Determine where the SC is performing well to build upon its strengths for continued success.

Gauge awareness and understanding
Measure stakeholders' knowledge, confidence, and recognition of the SC's obligations, policies, and framework for effective communication and engagement.

Identify areas for improvement
Gather feedback on areas that need improvement to enhance regulatory functions.

Understand market trends and challenges
Gather stakeholders' opinions on emerging market trends and challenges to inform regulatory reforms and communication strategies.

The respondents for the survey include institutional investors and PLCs

- Institutional investors
- Government - linked investment companies
- Media editors
- Government agencies
- Public-listed companies
- Capital market intermediaries (licensed and registered)
- Other regulators and audit firms

Three Focus Areas

Reputation Measures and KPIs

- The SC carries strong trust and is greatly admired especially among its affiliates and the media, reflecting its positive reputation.
- There is a mild increase in criticism from senior and long-tenured professionals, indicating an area the SC needs to address while maintaining its established reputation.

Brand Perception and Personalities

- The SC is predominantly perceived as a responsible, trustworthy, and formal entity, reinforcing its authority and credibility in its role as a regulatory body. However, it is less associated with traits such as being popular, youthful, bold, or stagnant, indicating a more traditional perception.
- Negative connotations like being disrespectful, unknown, or unreliable are not associated with the SC, reflecting its positive image.

Key Drivers Impacting Trust

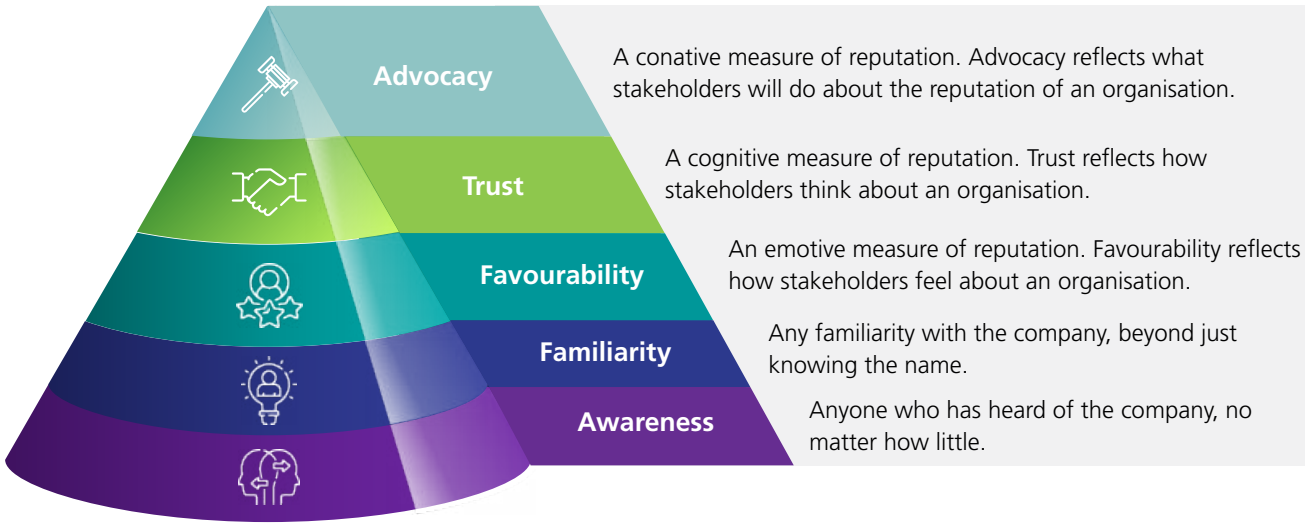
- The SC's dedication to market stability, proficiency, and investor confidence has been recognised and appreciated by stakeholders.
- However, to augment trust, attention should be directed towards catering to varied stakeholder requirements, boosting decision-making transparency, strengthening stakeholder involvement, digitalising processes, fortifying post-COVID market resilience, and collaborating on cross-border regulations.
- Tackling these areas along with leveraging existing strengths will further solidify the SC's reputation, influence, and trust among stakeholders.

The Importance of Trust

Trust is the cornerstone of the SC reputation measurement framework. It reflects the anticipation of persistently positive behaviour and is considered as a strategic KPI. The SC took into consideration the main components which influence the level of trust extended by stakeholders towards the SC.

The Reputation Pyramid

The Reputation Pyramid below reflects the five indicators used to measure the SC's position as a regulator of Malaysia's capital market.



From the findings of the survey, the SC is largely seen as a responsible, trustworthy, and formal regulatory body, reinforcing its authority and credibility. Importantly, the SC avoids negative connotations such as being disrespectful, unknown or unreliable, fortifying its positive image. The key takeaways for the SC are the importance of maintaining its strengths in trustworthiness and continuous responsibility in addressing areas for the regulation and development of the capital market.

SHARED ACCOUNTABILITY

Throughout 2023, the SC continued to engage with various stakeholders towards enhancing shared ambitions and stewardship for the capital market. These opportunities to establish and nurture closer ties with key stakeholders enable the SC to establish facilitative policies, a robust regulatory framework, and foster continuous capital market growth and development.

Strengthening Corporate Governance

In 2023, the SC continued efforts to promote the adoption of good corporate governance practices in the capital market, including bringing together and working with domestic and international stakeholders through various fora. From 11 to 12 October 2023, the SC hosted the OECD Asia Roundtable on Corporate Governance, which gathered over 150 senior delegates from across Asia to discuss the current issues in corporate governance. The Roundtable also witnessed the Asia launch of the revised *G20/OECD Principles on Corporate Governance*, officiated by Yang Berhormat Datuk Seri Ahmad Maslan, the then Deputy Minister of Finance I, witnessed by the SC Chairman, Dato' Seri Dr. Awang Adek Hussin and the OECD Deputy Secretary General, Yoshiki Takeuchi.

In addition, on 10 October 2023, the SC co-hosted the International Auditing and Assurance Standards Board (IAASB) Asia Pacific Roundtable, which discussed the International Social Security Association (ISSA) 5000, General Requirements for Sustainability Assurance Engagements – the draft standard on sustainability assurance. These discussions involved over 70 participants from markets across the Asia Pacific region including accounting and auditing firms, accounting standard setters, audit oversight bodies, capital market regulators, and institutional investors.

At the ICGN-Hawkamah Conference held in Dubai from 28 to 29 November 2023, the SC was invited to share its perspective on the role of boards in governance sustainability. The conference co-organised by the International Corporate Governance Network and the Hawkamah Institute of Corporate Governance had the participation of close to 200 delegates. The SC shared its efforts to support boards in providing the strategic oversight of a company's sustainability risks and opportunities, which includes structured training for directors on sustainability.

Meanwhile, the SC remained vocal in its support for diversity as a vital component of good corporate governance practices. Among other avenues, the SC

was represented as a panellist at the Malaysia Venture Capital Management Bhd's (MAVCAP) Accelerating Venture event in conjunction with International Women's Day 2023. The panel session, 'Does Gender Matter in the Digital World', discussed opportunities and challenges faced by women in the workforce, the participation of women in leadership positions, and the collective effort required to close gender gaps and break gender biases in the fintech industry.

Ensuring Compliance and Protecting Investors

The SC and the Association of Trust Companies, Malaysia (ATCM) continued to co-host the Bond and Sukuk Trustee Forum, the second in its series. The forum marked a significant milestone for the Malaysian bonds and sukuk industry and was first convened in 2021 as a response to the global pandemic and its disruptions to the economic and financial landscape.

The second iteration of the forum, held on 12 May 2023 at the SC, gathered 35 representatives from various trustee companies involved in Malaysia's bond and sukuk market. The SC Chairman, Dato' Seri Dr. Awang Adek Hussin delivered the welcoming address at the forum, highlighting the crucial role played by bond and sukuk trustees in ensuring compliance and protecting investors' interests in the bond and sukuk market.

The forum included participation by the SC together with the bonds and sukuk trustees. The discussions focused on the challenges and opportunities presented by digitalisation in the bond and sukuk market. The forum attendees also had the opportunity to share their insights on the duties and liabilities of the board of directors of trustee companies.

The forum provided a platform for bonds and sukuk trustees to gain a deeper understanding of their responsibilities. It also embodied the SC's commitment to being a facilitative, transparent, and engaging regulator. Continuous engagements with the bonds and sukuk trustees enable the SC to formulate policies that address challenges faced by stakeholders and foster continuous growth and development of the bond and sukuk market.

Building Technological Resilience

The cyber security landscape has evolved rapidly, with the likelihood of cyber-attacks growing substantially with each passing year as cyber criminals deploy increasingly sophisticated tactics. In response to this, the SC maintains a vigilant approach to monitor threats and incidents, and adopt a proportionate stance in managing cyber incidents effectively.

The SC through the CMCS exercise remains steadfast in its overarching objective to instil preparedness and proficiency among participating entities, equipping them with the agility to respond promptly and the resilience to recover effectively when confronted with cyber incidents and escalation procedures. The scenarios presented are tailored to mirror the ever-evolving landscape of cyber threats, ensuring that participants engage in an interactive and instructive event.

CMCS 2023 SCENARIOS

The SC's Technology Supervision Department under DSI conducts the CMCS in collaboration with the National Cyber Agencies (NACSA) and CyberSecurity Malaysia (CSM). The event on 5 October 2023 marked the sixth consecutive annual CMCS, involving 112 organisations selected based on their level of dependency on technology for day-to-day operations.

Since the release of the *Guidance Note on Management of Cyber Incidents* (Guidance Note) in 2022, the SC has proactively engaged capital market entities to enhance the understanding of their roles and responsibilities in the event of a cyber incident. The pursuit of enhancing the effectiveness of the capital market entities in responding to cyber attacks, the SC organised five sessions of the Capital Market tabletop Exercise (CMTTX) from 2022 to 2023. The events were designed for capital market entities not selected for the CMCS exercise and served as an avenue to familiarise these entities with the contents of the Guidance Note. The CMTTX sessions were attended by 277 participants representing 184 organisations, offering them a valuable opportunity to participate in this educational exercise.

Enhancing Risk Management

The SC continued to work with key stakeholders to remain vigilant of emerging risks and vulnerabilities that may impact the systemic stability of the domestic capital market. The SC's involvement in the Macro Risk Focus Group (MRFG) with BNM is part of a bi-annual collaborative regulatory discussion with BNM to exchange assessments of developments pertaining to the stability of the financial and capital market.

The SC led the first MRFG meeting with BNM on 14 April 2023. The SC then hosted a meeting with BNM to further share developments from the SC's macro stress test on funds, which was featured in the *Capital Market Stability Review* (CMSR) 2022. During this engagement, BNM also shared high-level details of its Climate Risk Stress Test, outlining its objectives, and scope, as well as the challenges involved.

To facilitate inter-agency co-ordination, the SC held engagements with BNM and Perbadanan Insurans Deposit Malaysia (PIDM) on resolution planning in March and June 2023. The engagements included discussions on inter-agency co-ordination such as the Strategic Alliance Agreement (SAA) between PIDM and BNM on information sharing, interventions, and risk monitoring. Given the recent banking crises in US and Europe, the engagement also discussed observations of market stabilisation measures and resolution strategies being undertaken by the relevant authorities.

FACILITATIVE AND INCLUSIVE ECOSYSTEM

The SC holds steadfast to the principle that an open and engaging regulator is essential to the development of effective and efficient capital market policies. As such, the SC continued to cultivate a facilitative and inclusive financing ecosystem for all, in line with efforts to foster a more developed Malaysian capital market.

Mobilising Capital for Private Markets

Facilitating the growth of private markets is essential to the SC's aim of promoting financial inclusion and increasing the breadth and depth of the domestic capital market. The SC has engaged extensively with private and public stakeholders alike to develop the alternative financing space in Malaysia as a key complement to public markets.

The SC, in collaboration with its affiliate CMM and MDEC, organised a series of corporate venture capital (CVC) programmes, the first of its kind in Malaysia, throughout the year. The objective of this series is to advance the domestic VC and PE ecosystem by connecting the different CVC ecosystem players, raising awareness of promising investment opportunities in CVC, and stimulating corporate investments among larger PLCs. These programmes were attended by corporate representatives, Bursa Malaysia, and relevant government agencies.

Additionally, together with BNM, the SC held a roundtable session on 3 February 2023 to better understand issues faced by VC and PE players with regards to the Malaysian Foreign Exchange Policy (FEP) and to discuss possible solutions. The event was attended by representatives from Malaysian startups, VC and PE firms, as well as ecosystem enablers including MDEC, Khazanah Nasional, Penjana Kapital, and Ernst & Young.

The SC also worked closely with state government officials on their shared objective of expanding the alternative financing space. On 12 June 2023, the SC, together with the Penang State Government and InvestPenang, organised the Capital Market Push for Penang Ecosystem. The one-day event was aimed at raising awareness on the various fundraising avenues available in the capital market for SMEs as well as introducing venture investments to Penang's network of high-net-worth individuals (HNWIs), family offices and corporates. Supported by Penjana Kapital, Bursa Malaysia, and Digital Penang, the event was attended by 164 individuals representing various groups from Penang's business community, namely SMEs, corporates, associations, MTCs, family offices and HNWEs – as well as various state and local government officials.

Additionally, on 17 July 2023, the SC collaborated with Penjana Kapital, Permodalan Negeri Selangor Bhd (PNSB), and the Selangor Information Technology & Digital Economy Corporation (SIDEC) to organise the signing of an MOU to establish the Dana Penjana Selangor (DPS) between Penjana Kapital, PNSB and SIDEC. The SC's support for the MOU is a testament to its keen interest in public-private collaboration in the VC and PE ecosystem. The MOU signing ceremony held at the SC was attended by the then Deputy Finance Minister II, YB Steven Sim Chee Keong and 80 representatives from various agencies, startups, VC and PE firms.

Industry Dialogues

In line with the SC's strategic objective to become a more engaging and facilitative regulator, the SC often holds regular dialogues with industry players to ensure ongoing feedback on the SC's capital market policies and initiatives.

The SC held its annual Securities Commission Industry Dialogue (SCID) on 31 July 2023 (Fund Management Session) and on 3 August 2023 (Equity & Debt Capital Market Session and Private Market Session). The event saw over 60 capital market industry leaders encompassing investment banking, stockbroking, fund management, and private markets. The participants shared proposals and issues over a range of topics under the three broad areas of investment opportunities, funding inclusivity, and market reforms in the capital market. Apart from the initiatives announced, several other topics and issues were also raised and discussed extensively. The proposals were then reviewed to determine its respective merits before being incorporated into the SC's business planning and developmental efforts.

Following two years of virtual meetings due to the pandemic, the 8th Brokerage Industry Consultative Committee (BICC) Meeting was held physically at the SC on 20 July 2023. The BICC was established in 2018 to provide a consultative platform between the SC, Bursa Malaysia, and brokerage industry associations such as the Association of Stockbroking Companies Malaysia (ASCM) and MIBA. It aims to collectively promote continued development and sustainability of the equities market. In the BICC Meeting, matters in relation to market vibrancy were discussed, particularly on ways to further grow and develop the capital market from the perspectives of capital market intermediation, as well as continuous upskilling and enhancing talent in the broader capital market space.

In November 2023, the SC organised two Supervisory Dialogues with CEOs of stockbroking and fund management companies respectively. During these dialogue sessions, the SC emphasised the importance of instilling good culture and strong governance in driving proper business conduct. The SC also highlighted key concerns and expectations arising from its supervisory assessments in several key areas, such as anti-money laundering and combating terrorism financing and proliferation financing, the conduct of MRs and the monitoring of MRs by intermediaries, as well as sales practices in the distribution of UTF's and wholesale funds.

Facilitating Financing for MSMEs

The SC actively engaged with a variety of stakeholders in the MSMEs ecosystem throughout 2023, as it strives to build an effective financing pipeline for the development of the nation's small businesses. On 15 September 2023, the SC entered into an MOU with SME Corp to catalyse greater access to capital market financing for MSMEs. SME Corp is the central co-ordinating agency under the Ministry of Entrepreneur and Cooperatives Development that co-ordinates the implementation of development programmes for MSMEs across all related ministries and agencies. The signing ceremony was held at the SC, where the MOU was inked by the SC Chairman, Dato' Seri Dr. Awang Adek Hussin and SME Corp, CEO Rizal Nainy.

SCxSC Grow

Further, in support of the SCxSC Grow initiative, the SC also engaged with nearly 150 external stakeholders to better understand the current financing challenges faced by MSMEs in the agriculture sector, as well as to develop an alternative financing space to close this funding gap.

In these efforts, the SC was involved in continuous discussions with the Ministry of Agriculture and Food Security, Agrobank, and MDEC, which led to the establishment of the Malaysian Innovation Agriculture Financing (MIAF) Steering Committee. The SC also frequently engaged with the SSM and various RMOs to gain valuable insights into financing options for MSMEs and explore ways in which the SC could facilitate easier access to funding.

STAKEHOLDER ECONOMY WITH ICM AND SRI

As a global leader for the ICM, the SC continues to advance ICM stakeholder engagements and leverage Malaysia's prominent ICM thought leadership. In tandem with the tenets of social and responsible finance, the SC also strives to promote a sustainable capital market where the involvement of capital market intermediaries and other relevant stakeholders is also crucial for the success of SRI initiatives and the development of a facilitative and vibrant SRI ecosystem in Malaysia.

ICM As A Key Driver for a Stakeholder Economy

Islamic principles, such as risk-sharing and wealth redistribution, position the ICM as a key driver for a stakeholder economy, as outlined in the SC's CMP3. To achieve this vision, the ICM seeks to establish strong regulatory frameworks and facilitate effective platforms for its ecosystem, which includes scholars, practitioners, regulators, intermediaries, and investors to thrive and continue to innovate.

The SC serves as a vital link among these stakeholders in the ICM, facilitating collaborations at both domestic and international levels. In 2023, the SC embarked on various initiatives to strengthen existing relationships and forge new connections through platforms such as conferences, roundtables, forums, and workshops, all aligning with CMP3 objectives.

Key initiatives moving forward include expanding and advancing key areas within the ICM including Islamic fintech, Islamic social finance, and impact and sustainable investing. These will form part of the SC's efforts to create a more robust, inclusive, and transformative economy.

Islamic Fintech

Fintech Roundtable

Themed 'Islamic Fintech for Social Good', a roundtable co-organised by the SC and CMM, supported by Islamic Finance News (IFN) was held on 18 September 2023 at Hamilton Place, UK. The event gathered Islamic fintech players from Malaysia and the UK, who deliberated on ways Islamic fintech and digital market platforms can be leveraged to scale up and lead innovation in social impact and social finance.

The roundtable also discussed–

- the challenges faced by Islamic fintech start-ups in scaling up and expanding their impact while exploring potential solutions to assist them;
- best practices and success stories from both countries on how Islamic fintech platforms are contributing to social impact from the perspectives of start-ups and ecosystem builders; and
- exploring potential synergies and collaboration opportunities between Malaysia and the UK to leverage and maximise social finance impact through Islamic fintech.

Elevating Sustainability Agenda and Social Finance through the ICM

Waqf and Islamic Capital Market Conference

On 20 July 2023, the Waqf and Islamic Capital Market Conference (Waqf Conference), organised by the SC in collaboration with Universiti Sains Malaysia, DRB-HICOM University, and supported by Federal Land Development Authority was held at the SC.

Themed 'Unleashing the Potential of Waqf through the Islamic Capital Market', the conference gathered stakeholders within the *waqf* ecosystem, comprising government agencies, policymakers, State Islamic Religious Councils (SIRCs), Shariah Advisers and academia as well as market practitioners. The focus was on the fundamental reforms to augment the role of Islamic social finance in tackling societal challenges.

The Waqf Conference enabled in-depth discussions on numerous areas, such as the need for a practical *waqf* model and the significance of technology and innovation in enhancing *waqf* management and promoting transparency, efficiency, as well as community involvement. Embracing these advancements can revolutionise the utilisation of *waqf* resources for societal betterment, with a strong emphasis on ecosystem building and collaborative efforts.

14th SC-Oxford Centre for Islamic Studies Roundtable

The 14th SC-OCIS Roundtable, themed 'Investing Towards the Common Good: Impact, Stewardship and Ethical Considerations', was held in Kuala Lumpur on 24 and 25 August 2023. The theme is in line with the SC's CMP3 objective of enabling greater capital mobilisation for businesses that create value for stakeholders of the economy via SRI and ICM.

The SC-OCIS Roundtable is a long-standing collaboration between the SC and OCIS, which was formalised in 2012. Since its inception, the SC-OCIS Roundtable has served as an important platform to stimulate discussion and discourse on Islamic finance, providing direct and indirect benefits by way of facilitating the developmental agenda in the ICM.

Graced by His Royal Highness Sultan Nazrin Muizzuddin Shah, Ruler of the State of Perak Darul Ridzuan and the Royal Patron for Malaysia's Islamic Finance Initiative, the SC-OCIS Roundtable attracted both international and local participants.

The discussions centred on impact investing, the importance of assessing impacts of initiatives and identifying areas for improvement and governance as well as ethical considerations in Islamic finance.

SC-World Bank Conference

The SC-World Bank Conference (Conference), themed 'Social Impact Investment and Islamic Finance: Catalyzing Positive Change through Financial Innovation', was held at the SC on 2 November 2023. This was the 4th instalment of the Conference, which aims to provide a platform for the sharing of views and knowledge on topical themes relevant to Islamic finance and the ICM, as well as recommendations to move forward.

The Conference gathered close to 300 participants from the social impact investing ecosystem, government agencies, venture capital and private equity firms, local Islamic banks, and GLICs. The Conference explored, among others, the state of the social finance ecosystem, participation of the private sector in the social space, and the role of social impact investments in complementing public sector finance. Discussions also revolved around the potential of endowment funds in supporting socially beneficial projects.

The event also witnessed the unveiling of the principles-based *Maqasid Al-Shariah Guidance Islamic Capital Market Malaysia* (Guidance), which was launched by then YB Deputy Minister of Finance I, Datuk Seri Ahmad Maslan. The Guidance provides universal guiding principles to enhance the competitive advantage of ICM and fortify ICM's impact and contribution to society and the larger economy. This is also in line with the SC's CMP3, which seeks to reinforce Malaysia's position as a global leader in ICM and as a regional centre for Shariah-compliant SRI.

Institutionalising Shariah Governance

SC Nadwah of Shariah Advisers in Islamic Capital Market

The SC's inaugural Nadwah of Shariah Advisers in Islamic Capital Market 2023 (SC Nadwah) was held with the industry, committee members, the SC-registered Shariah advisers, and ICM stakeholders. The event underscores the SC's dedication to advancing applied Shariah knowledge and fostering innovative Shariah solutions within the ICM fraternity.

The SC Nadwah provided participants with insights into the latest resolutions of the SC Shariah Advisory Council (SAC) and regulatory updates in the ICM. It also focused on enhancing the professionalism and competence of Shariah advisers by facilitating interactive panel sessions. In line with the SC's objective of expanding the Shariah advisers' community, the SC Nadwah will continue to be held annually moving forward.

Building a Sustainable Capital Market

Essential for the SC's endeavours in crafting SRI policies and fostering a sustainable capital market is its active engagement with various stakeholders including public policymakers. These engagements ensure alignment between the SRI strategic objectives with broader national policies and commitments towards sustainable development and climate goals.

Joint Committee on Climate Change

The Joint Committee on Climate Change (JC3), in which the SC and BNM are Co-Chairs, continues to actively engage and collaborate with relevant ministries and government agencies as well as industry associations to encourage greater alignment in the financial sector's response to climate-related risks with national and business strategies. Such engagements were conducted through platforms such as meetings, outreach sessions, and conferences. Notably, two outreach sessions were held in June and November 2023 respectively to provide a platform for industry players to share their experiences on their net-zero journey in supporting Malaysia's transition to a low-carbon economy.

JC3 Journey to Zero Conference 2023

The JC3, co-chaired by the SC and BNM, hosted its 2nd biennial flagship event, the JC3 Journey to Zero Conference 2023 (Conference) from 23 to 25 October 2023 at Sasana Kijang, Kuala Lumpur. The hybrid conference hosted more than 3,000 participants ranging from regulators, climate experts, advocates, practitioners, and policymakers. It aimed to encourage dialogue and solutions in financing Malaysia's transition and progress towards sustainable development.

The SC Chairman and BNM Governor delivered the welcoming remarks at the Conference. The SC Chairman highlighted the role of the capital market in facilitating fundraising and investments to achieve sustainability and climate goals in the country's transition to net-zero. The Minister of Natural Resources, Environment and Climate Change (NRECC)[1] also delivered a keynote address where he highlighted that the Government, guided by the sustainability-focused frameworks of *Malaysia Madani* and *Ekonomi MADANI*, has implemented measures to contribute to climate action and economic transformation.

The Conference featured over 80 speakers from around the world who shared their experiences on managing climate-related risks and unlocking innovative financing opportunities to meet ambitious climate action. The SC was invited to moderate a panel session titled 'Drawing Global Private Capital: Catalyst for Global Transformation', focusing on discussions about climate investments in emerging market, encompassing investment considerations, enablers, success stories and challenges.

The JC3 also announced five key initiatives to expedite the transition of businesses and farmers towards low-carbon practices at the Conference. This underlined the JC3's commitment to pursue accelerated climate action and emphasised the critical role of the financial industry in enabling a sustainable agenda for the country. The key initiatives announced include Greening Industrial Parks, the Greening Value Chain programme with Bursa Malaysia, a RM1 billion portfolio guarantee scheme for ESG financing, an ESG jump-start portal and Green AgriTech.

In conjunction with the conference, the JC3 hosted a roundtable in collaboration with the British High Commission (BHC) on potential collaboration between UK and ASEAN member states to promote green finance in the region, in which the JC3 Co-Chairs and the BHC *Chargé d'affaires* led the roundtable discussion. Additionally, the SC as the Chair of JC3 Sub-Committee 3 (SC3) hosted another roundtable with the International Finance Corporation (IFC) which convened key stakeholders to explore Malaysia's energy transition enablers, such as policy and regulation, public-private partnerships and financing through Malaysia's sukuk and bond markets.

[1] The ministry is now known as the Ministry of Natural Resources and Environmental Sustainability.

Engagement with Government Ministries and Agencies

The SC continues to work with government ministries and agencies in advancing the sustainability agenda. On 4 July 2023, the SC organised a closed-door SRI sharing session to enhance the understanding and awareness of key ministries on SRI initiatives in the Malaysian capital market. Attendees of the session included working-level representatives of MOF, NRECC, Ministry of Education (MOE), MITI, etc.

The SC also participated in the Energy Transition Townhall session on 7 March 2023, which was chaired by YB Tuan Nik Nazmi Nik Ahmad, Minister of NRECC. This session served as a platform for stakeholders from the Malaysian energy sector to share their feedback on the country's energy transition direction. Additionally, on 17 April 2023, the SC participated in a *National Energy Transition Roadmap* (NETR) workshop organised by the MOE. The workshop sought feedback and input from among others, key stakeholders from Malaysia's energy sector, on energy transition-related initiatives and projects that could catalyse Malaysia's economic growth and facilitate Malaysia's transition to net zero.

Promoting SRI Awareness and Capacity Building Locally and Internationally

The SC organised numerous awareness and capacity-building initiatives as well as participated in local and international sustainability events as part of knowledge sharing and to further enhance the profiling of SRI. These initiatives are crucial to accelerate the growth and development of a facilitative SRI ecosystem in Malaysia.

Enhancing Greater Awareness of Principles-Based SRI Taxonomy

Following the issuance of the *Principles-Based SRI Taxonomy for the Malaysian Capital Market* in December 2022, the SC continued to engage with relevant stakeholders to enhance the understanding and encourage greater adoption of the SRI Taxonomy within the Malaysian capital market. Continuous capacity-building initiatives and engagements were conducted for the capital market industry and other stakeholders in 2023.

In March 2023, the SC and SIDC jointly organised the 'SRI Taxonomy: Insights and Implementation' programme, which provided comprehensive insights into the SRI Taxonomy, offering valuable guidance to organisations aiming to pivot their business models to align with sustainability objectives.

SC–BNM State-Level Outreach

In 2023, the SC and BNM jointly led a series of engagements with relevant stakeholders of certain states in Malaysia. On 27 to 28 February 2023, the SC and BNM met with relevant ministries, government agencies, and other key stakeholders in Kuching, Sarawak. The engagements aimed to gain insights into Sarawak's strategies for sustainability, as well as to discover potential areas of collaboration. Further, the SC and BNM participated in a study visit to Penang and Kedah on 22 and 24 July 2023, to understand the progress and challenges faced by businesses including SMEs to adopt sustainable practices into their respective businesses.

CMM-UN Global Compact Network Malaysia and Brunei–JC3 Sub-committee 3 CFO and Banker Roundtable

On 7 August 2023, a roundtable was jointly organised by CMM, UN Global Compact Network Malaysia and Brunei (UNGCNMB) and Sub-Committee 3 of the JC3 with bankers and CFOs of PLCs to gain a better understanding of the sustainable finance action plans of PLCs, to enable bankers and chief financial officers (CFOs) to collectively identify opportunities in driving the sustainable finance agenda in Malaysia and to explore the use of sustainable finance products such as the SRI-linked sukuk and sustainability-linked loans.

Technical Engagements with Principal Advisers on Sustainability-Linked Corporate Bonds and Sukuk to Build Capacity and Awareness

Following the launch of the SRI-Linked Sukuk Framework in June 2022 and the *ASEAN Sustainability-Linked Bond Standards* in October 2022, the SC conducted one-on-one technical engagement sessions with several principal advisers throughout 2023 to build capacity and awareness on the newly introduced frameworks. Considering the pivotal role that principal advisers play in providing guidance to relevant stakeholders in the corporate bond and sukuk space, the engagement sessions aimed to provide a platform for principal advisers to engage in discussions with the SC on the foregoing matters. Further, the engagement sessions also served as an avenue for the industry to provide feedback on the relevant requirements pertaining to the aforesaid matters.

NaviGate: Capital Market Green Financing Series

To create greater awareness among businesses on green and sustainable financing, the SC continued to organise the NaviGate: Capital Market Green Financing Series in 2023. Since its inception in 2021, a total of nine programmes have been organised including three programmes held within Malaysia in 2023.

In conjunction with CMM's Corporate Sustainability Day, the SC held its first 2023 NaviGate programme in March and May 2023 in Johor Bahru and Penang, respectively. These programmes aimed to increase awareness among public and private sector industry players on capital market financing opportunities for sustainability-related purposes and create greater connectivity between businesses and the capital market. The SC's SRI and SRI-linked Sukuk, ASEAN's Green, Social, Sustainability, and Sustainability-linked Bonds, and alternative financing avenues such as ECF and P2P financing platforms to facilitate financing for green, social, and sustainability purposes were featured during these programmes.

The third NaviGate Programme was held in Kuala Lumpur in May 2023, in conjunction with the CMM's ESG week. The programme focused on creating awareness on financing sustainability through the bonds and sukuk market and highlighted the SRI-linked sukuk and bonds. It featured a presentation on sustainability-related sukuk and bonds as well as a sharing session by capital market experts on their experiences in raising SRI and SRI-linked Sukuk and Bonds. A representative from Bursa Malaysia also spoke on the necessity of SRI reporting to elevate the sustainability practices and disclosures of listed issuers, whose components may also be used as key performance indicators under the SRI-linked sukuk and sustainability-linked bonds structure. These three programmes attracted more than 290 participants representing MSMEs, corporates and various agencies.

Fostering International Awareness of SRI

To further enhance the profiling of SRI internationally, the SC participated as speakers at various sustainability events throughout 2023 such as the Islamic Sustainable Finance & Investment Dialogues held in Dubai on 16 March 2023 and the 9th Annual Conference on the Principles organised by International Capital Market Association (ICMA) in Singapore on 28 June 2023 as well as Principles for Responsible Investment (PRI) Sustainable Finance Policy Conference in Japan on 3 October 2023. Notably, during the dialogues in Dubai, the session on 'Positioning ESG and Sustainable Finance and Investment – Policy, Regulation and Action' discussed among others the implications for the Islamic sustainable financial services sector following the introduction of various regulatory taxonomies, frameworks, and standards.

28th United Nations Climate Change Conference of the Parties

The 28th United Nations Climate Change Conference of the Parties (COP28) was held in Dubai, United Arab Emirates (UAE) from 30 November to 12 December 2023. The SC, as part of Malaysia's delegation, provided support to the MOF in the COP negotiations and shared the SC's perspective in accelerating efforts to facilitate Islamic sustainable finance through various speaking engagements. Together with CMM, the SC also supported side events at the Malaysia Pavilion, which was the main and centralised platform that promoted Malaysia's climate change adaptation and mitigation actions, alongside initiatives of Malaysian businesses.

Several panel sessions were held at the Malaysia Pavilion with the SC's active participation including a panel discussion on 'ESG Investing: Building an ESG-Aligned Portfolio in Malaysia' where the panel delved into the vast opportunities for investors to contribute to Malaysia's green economy through ESG investments. The SC also participated in a panel discussion on 'Leveraging Islamic Finance for Sustainability', which discussed the dynamic interplay of Islamic finance and its integration with modern mechanisms to mitigate future climate risks.

In a panel discussion on 'Advancing a Just Energy Transition Towards a Net Zero Future', the SC emphasised the pivotal role of the capital market in financing Malaysia's energy transition. The discussion underscored the importance of a 'whole of nation approach' in alignment with Malaysia's NETR. Following the announcement of the Global Islamic Finance Program (GIFP) for Climate, Nature and Development's newly formed Advisory Committee at COP28, of which the SC is one of the fund's Advisory Committee member, the SC participated in a panel discussion on 'Mobilising Islamic Finance for Climate & Nature'.

The session, hosted at the UAE Pavilion, the session emphasised the pivotal role of Islamic Finance in catalysing blended finance for the Global South, tackling challenges and seizing opportunities for sustainable investments in climate and nature initiatives. The session also highlighted the establishment of the GIFP as a key initiative to drive this agenda further.

Similarly, the GIFP was also emphasised in another panel session participated by the SC at the Malaysia Pavilion, titled 'Advancing Climate Adaptation and Resilience through Islamic Sustainable Finance in the MENA and Asia Pacific Regions'. Discussions centered around the GIFP and the panelists deliberated on actionable strategies for climate financing, providing practical insights to address evolving challenges in these regions.

In addition, the SC contributed insights to the panel on 'Capacity Building for Transition towards Low-emission and Climate Resilient Development Pathways' at the Joint Multilateral Development Banks (MDB) Pavilion organised by the New Development Bank and the Institute of Finance and Sustainability. This session discussed significant advancements, challenges, and opportunities within sustainable finance and investment across New Development Bank member countries, emerging markets, and developing countries.

During the regulator fireside chat on 'Convergence or Building your Own?', which was held at the Global Ethical Finance Initiative's (GEFI) Summit on Unlocking Islamic Finance for COP28, the SC as a participant discussed the SRI Sukuk Framework while emphasising the SC's commitment to steering the market with the guiding tenets of *maqasid al-Shariah*, fortifying Malaysia's position in the global ICM.

The SC was also the spokesperson for relevant ASEAN initiatives at COP28 such as the *ASEAN Taxonomy for Sustainable Finance* (ASEAN Taxonomy) and the *ASEAN Transition Finance Guidance* (ATFG), in its capacity as Chair of the ATB's Working Group on Market Facing and Resourcing, and Co-Chair of the ASEAN Capital Markets Forum's (ACMF) Sustainable Finance Working Group.

At the Asian Development Bank (ADB) Pavilion, the SC contributed to discussions on transition finance by representing ACMF in a panel on 'Promoting a common language to sustainable finance within Southeast Asia and guiding a just transition: The ASEAN Taxonomy and ASEAN Transition Finance Guidance', providing perspectives on ASEAN's transition journey.

Additionally, the SC represented the ATB by delivering a presentation on 'The ASEAN Taxonomy for Sustainable Finance Version 2: Stakeholder Validation and Continuing Development Towards a Just Transition' at the Malaysia Pavilion. The presentation included an overview of the ASEAN Taxonomy, highlighting key outcomes from the completed stakeholder consultation, and outlined future steps for the taxonomy project and transition initiatives.

The SC also represented the ATB in a panel session at the Singapore Pavilion on 'Managing the Phaseout of Coal-fired Power Plants Session 1: Credibility'. The session focused on the collaborative role of the ASEAN Taxonomy and voluntary guidance in driving coal phase-outs, emphasising the need for public-private collaboration in creating an enabling environment for these initiatives.

INTERNATIONAL PROFILING

In our efforts to maintain a strong presence on the global front, the SC has established a wide international network with foreign policymakers, regulatory counterparts, multilateral organisations, and market participants through participation in various international fora.

Besides supporting Malaysia's trade and economic agenda, the fostering of robust multilateral ties allows us to closely align domestic regulatory and market developments with international best practices and standards, thereby enhancing the relevance and competitiveness of the Malaysian capital market.

International Organization of Securities Commissions (IOSCO)

In 2023, the SC continued to play an active role in IOSCO, an international securities regulation standard-setter whose membership regulates more than 95% of the world's capital markets in approximately 130 jurisdictions. As a member of the IOSCO Board, the SC is well-placed at the forefront of global regulatory discussions and policymaking and is able to gain relevant insights into emerging regulatory issues impacting global capital markets while contributing to international thought leadership.

This leadership position enables the SC to also raise issues of concern affecting the Malaysian capital market and other emerging markets and ensure there is an appreciation of these issues in the development of international policy recommendations. Discussions at the IOSCO Board include issues impacting investor protection, market integrity and systemic risks such as sustainable finance, digital assets and decentralised finance, enforcement co-operation, and retail market conduct.

Within IOSCO, the SC is an active member of various task forces and policy committees such as sustainable finance, fintech, secondary markets, emerging risks, retail investors and the Assessment Committee[2]. Through these task forces and working groups, the SC is able to gain insights and tap into the experience and expertise of other markets, as well as to profile its domestic developmental and regulatory efforts in relevant areas.

Notably, the SC organised two workshops. On 10 February 2023, the SC as a member of the IOSCO Committee on Emerging Risks (CER) was involved in a roundtable session with stakeholders from the PE, private credit and asset management industries to exchange perspectives on private finance. In addition, on 15 November 2023, the SC also shared insights on the digital asset landscape in Malaysia in a meeting with the IOSCO Committee on Retail Investors, as Committee 8 focused its efforts on crypto-assets and retail investor protection.

[2] IOSCO's Assessment Committee is responsible for the implementation and monitoring of IOSCO's Principles and Standards across its membership.

Association of Southeast Asian Nations (ASEAN)

The SC plays a pivotal role in contributing to the development and harmonisation of capital markets across the ASEAN. Through various ASEAN-level platforms, the SC actively engages with other securities regulators, finance ministries, and central banks to champion initiatives that enhance market integrity, investor protection, and the adoption of sustainable finance practices within the region.

As Chair of the ATB Working Group on Market Facing and Resourcing, as well as Co-Chair of the ASEAN Capital Markets Forum's (ACMF) Sustainable Finance Working Group (SFWG), the SC has a particular focus on facilitating sustainable finance-related initiatives. With the ATB, the SC led stakeholder consultations and engagements both within and beyond the region on Version 2 of the ASEAN Taxonomy for Sustainable Finance and capacity-building sessions such as the ASEAN Taxonomy Version 2 Socialisation Webinar. Furthermore, through the ACMF SFWG, the SC contributed to the publication of the ASEAN Green, Social, and Sustainability-Linked Bond Standards, the *ASEAN Sustainable and Responsible Fund Standards*, and the ATFG.

The SC is also an active member of the Working Committee on Capital Market Development (WC-CMD)[3]. At the WC-CMD, the SC chairs the Infrastructure Finance Working Group (IFWG) which supports the development of infrastructure financing throughout ASEAN. This includes sharing experiences by sovereign issuers at a Sustainable Bond Knowledge Sharing session organised by the IFWG, which takes place at each WC-CMD meeting to promote the use of sustainable finance by governments to fund sustainable projects.

Fostering International Regulatory Co-operation

Strengthening regulatory co-operation and linkages with its foreign counterparts remains a key focus of the SC's international efforts. The relationships that the SC cultivated over the years have enabled it to tap on relevant expertise, insights, and request necessary assistance to support the SC's role and functions.

In relation to supervision and enforcement, the SC has regular engagements with its counterparts through regional Supervisory and Enforcement Directors' meetings. The IOSCO's Multilateral Memorandum of Understanding (IOSCO MMOU) also allowed the SC to provide and receive regular assistance from international regulators, thus strengthening its enforcement capabilities and reach in dealing with cross-border market misconduct. In efforts to strengthen regional co-operation, the SC signed an MOU with the Securities and Exchange Regulator of Cambodia to facilitate greater regulatory, enforcement, supervisory co-operation and capacity-building efforts between the two regulators.

The SC continues to play an important role through the IOSCO Asia Pacific Hub, in strengthening the regulatory capabilities of securities regulators in the region as well as globally. The Hub fosters knowledge-sharing among securities regulators through interactive panel discussions, the exchange of best practices and case studies during workshops and seminars. To date, the Hub has trained over 1,800 participants from across 110 jurisdictions. In 2023, a total of six workshops and one webinar were organised, encompassing a variety of topics, including emerging risks in global capital markets, derivatives activity in developing markets, sustainable finance, cyber resilience, and regulatory enforcement.

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[3] Co-ordinating committee that monitors initiatives and progress of the ASEAN members towards building the capacity and laying the infrastructure for the development of ASEAN capital markets.

ASEAN Socialisation Activities

The SC participated in various capacity building and socialisation events in relation to the fora that it is involved in at the ASEAN level. These mainly related to the SC's role as Co-Chair of the ACMF's SFWG, and the Chair of ATB's Working Group on Market Facing and Resourcing. These included participating in side-events and panel sessions in Indonesia organised throughout 2023 by the Indonesian authorities during their ASEAN Chairmanship, as well as international organisations such as the ADB and the ASEAN-Korea Centre.

Highlights included the webinar on 'The ASEAN Taxonomy: Facilitating a Just Energy Transition' held by the ATB on 9 June 2023 to introduce the *ASEAN Taxonomy Version 2*, highlighting its unique features that enable alignment to international taxonomies while serving the needs of ASEAN. The event attracted more than 370 attendees throughout ASEAN and beyond.

The SC presented the *ASEAN Taxonomy Version 2*, which was followed by a panel session discussing energy transition in ASEAN and the role of the ASEAN Taxonomy in guiding climate finance, with participants from the Sustainable Finance Institute Asia, ADB, the International Capital Market Association and the Global Financial Alliance for Net Zero.

On 17 October 2023, the SC Chairman Dato Seri Dr. Awang Adek Hussin participated in the ACMF International Conference 2023 'Transitioning Towards Sustainable Capital Markets: The ACMF Perspective', which was organised by OJK in Bali. During the session on 'Capital Market Development: A Conversation with ACMF Leaders', the SC Chairman shared capital market developments in Malaysia as well as the work of the ACMF's SFWG to further the sustainability agenda in ASEAN.

International Trade

In supporting Malaysia's trade and economic agenda, the SC strives to ensure continued active participation in the domestic capital market while safeguarding the interest of investors and firms alike. As such, the SC places significant emphasis on international trade agreements, focusing specifically on financial services.

Towards achieving this objective, the SC in 2023 participated in negotiations of the *Malaysia-Turkey Free Trade Agreement* (MTFTA), *ASEAN-Canada Free Trade Agreement* (ACaFTA), and the ASEAN Working Committee on Financial Services Liberalisation (WC-FSL), as well as the review and enhancement of the *ASEAN-Australia-New Zealand Free Trade Agreement* (AANZFTA).

Invest Malaysia New York

The SC participated in the Invest Malaysia New York conference organised by Bursa Malaysia in New York City on 21 September 2023. The event, the first in the city since 2017, attracted 200 delegates in the financial and investment community including foreign fixed income, equity and private equity investors with combined AUM of over US$40 trillion (approximately RM188 trillion).

Themed 'Regaining Malaysia's Lead in Asia', Invest Malaysia NY 2023 centred on promoting Malaysia's inherent strengths and how the Malaysian government's visionary *Ekonomi MADANI* framework will re-establish Malaysia as a leading ASEAN economy. Prime Minister Dato' Seri Anwar Ibrahim officiated and delivered the keynote address at the event.

At a panel session entitled 'Macro Resilience and Market Insights', SC Chairman Dato' Seri Dr. Awang Adek Hussin spoke on how the capital market is being enhanced to help drive greater economic growth, inclusion and sustainability, in line with the aspirations of the *Ekonomi MADANI* framework.

The delegates were updated on the recent announcements of capital market initiatives targeting to boost market vibrancy and enhance investor access. These include automatic promotion of eligible PLCs from the ACE Market to the Main Market of Bursa Malaysia, the reduction of stamp duty, and the enabling of fractional share trading by investors through stockbrokers. Dato' Seri Dr. Awang Adek Hussin also said Malaysia would further facilitate companies to list on Bursa Malaysia through the speeding up of the IPO process to ensure Malaysia's competitiveness and attractiveness.

COMMUNCATION AND OUTREACH

Investor Education and Awareness

The SC's investor education initiatives, via InvestSmart® and various initiatives leveraged digital media, television, and radio to conduct public outreach, with the objective of increasing investment literacy and public awareness of unlicensed activities and scams. These efforts are carried out through multiple digital platforms to better reach Malaysians and provide timely notifications, reminders, and guidance to prevent the public from falling prey to unlicensed activities and scams. On-the-ground interaction with investors is another critical component of InvestSmart® and is a key part of campaigns engaging both urban and rural communities across Malaysia. InvestSmart®'s on-the-ground activities includes InvestSmart® @SC, face-to-face engagements, InvestSmart® collaborative events with strategic partners such as BNM's Karnival Kewangan, Minggu Saham Amanah by Permodalan Nasional Malaysia (PNB), Bursa Marketplace and many more.

Furthermore, InvestSmart® organises its very own large-scale annual flagship event that serves to provide and nurture investors with investment knowledge, helping them participate in the capital market while being safeguarded from scams and illegal schemes. There are two such events conducted annually: the first event, usually held earlier in 2023, is organised outside of Klang Valley while the latter is within.

InvestSmart® Fest 2023

The SC through its investor empowerment initiative, InvestSmart® organised its annual flagship investor education event, InvestSmart® Fest 2023 (ISF 2023) from 17 to 19 November 2023 at Hall 4, KL Convention Centre. The ISF 2023 aimed to promote investor confidence to enable informed investment decisions without falling victim to scams.

This was the 10th instalment of the event with the theme *'Sedekad Memperkasa Rakyat Malaysia'*. The theme was deemed apt as importance was placed on empowering the Malaysian public to be a smart investor at a time when investments scams are rampant.

The then Deputy Finance Minister II, YB Tuan Steven Sim Chee Keong officiated the event on 17 November 2023. InvestSmart® also invited members of Committee 8 to the opening ceremony; Committee 8 conducts the IOSCO's policy on retail investor education and financial literacy, of which the SC is a member. Approximately 30 IOSCO delegates from around the world were present during the said opening ceremony. This event provided an excellent opportunity for the SC to showcase InvestSmart® and its flagship event on the global stage and give visibility to Malaysia's capital market players.

investED also became part of our event in the InvestSmart® Fest this year. *investED* is part of the SC's large scale, multi-faceted capacity-building roadmap designed to nurture a pipeline of talented individuals into the capital market. InvestSmart® featured talks by *investED* twice a day and had a dedicated booth and interview space for on-the-spot recruitment of graduates.

ISF 2023 attracted more than 13,000 visitors and brought together 37 exhibitors comprising capital market institutions, associations, industry players and other relevant regulatory and government agencies. The three-day event showcased products and services offered by capital market intermediaries including stocks, bonds, unit trusts, private retirement schemes, ETFs, ECF, P2P financing, DIM and DAX.

Over three days, ISF 2023 featured 22 talks and panel discussions by leading industry experts sharing their insights on the Malaysian capital market and investment opportunities available. Given this year's theme *'Sedekad Memperkasa Rakyat Malaysia'*, there were dedicated sessions specifically on anti-scam awareness, with many of the other sessions also having elements of anti-scam messaging in them. These sessions were also broadcasted live on InvestSmart®'s Facebook and YouTube channel to reach a wider audience.

Additionally, the SC in collaboration with Financial Planning Association of Malaysia (FPAM) and Malaysian Financial Planning Council (MFPC) made available free one-hour financial planning consultation sessions with licensed financial planners under the #FinPlan4u initiative. A total of 500 sessions were made available to the public from 17 to 19 November 2023.

Bersama InvestSmart® @ Penang 2023

Bersama InvestSmart® is the SC's annual flagship investor education event for retail investors outside of the Klang Valley. The event, which was previously held in Kota Kinabalu in 2019 and Kuching in 2022, promotes greater awareness of capital markets products and services, informed investment decisions, awareness of rights and responsibilities as an investor, better financial and retirement planning, enhanced wealth accumulation and greater participation in the capital market.

This year's Bersama InvestSmart® was held in Penang from 26 to 28 May 2023 at Queensbay Mall. Bersama InvestSmart® @ Penang 2023 showcased products and services offered by capital market intermediaries while featuring seminars conducted by leading industry experts and influencers. A total of 38 exhibitors including capital market regulators, licensed and registered intermediaries, affiliates, and governmental bodies participated in the three-day event, which attracted approximately 12,000 visitors.

Following the popularity and success of the #FinPlan4U service desk at previous InvestSmart® events, this initiative was once again made available during Bersama InvestSmart® @ Penang 2023. A total of 256 slots were made available to the public to obtain free one-on-one consultations from licensed financial planners. For this initiative, InvestSmart® collaborated with the FPAM and MFPC.

Face-to-Face Digital Clinic for Urban B40 Including Seniors – Klinik Silap Labur Duit Lebur

The SC collaborated with Pepper Labs Sdn Bhd, a social enterprise experienced in engaging with marginalised and B40 communities, and micro-entrepreneurs to run this programme, which was designed to primarily create awareness on scams and unlicensed activities promoted online via social media platforms. Given the success of Phase 1 in 2022, Phase 2 of the programme commenced on 28 November 2023, involving at least 2,000 participants from the B40 population in the Klang Valley. Phase 2 is expected to be completed by 30 June 2024.

Program Agen Bijak Labur Desa

KEMENTERIAN KEMAJUAN DESA DAN WILAYAH

The SC also engaged with the Ministry of Rural and Regional Development (KKDW) to leverage KKDW's existing initiatives with rural communities. In particular, the SC is working through the ministry's 191 *Pusat Komuniti Desa* (PKD) to roll out the *Agen Bijak Labur Desa* (ABJAD) Phase 2 programme for adults from rural communities nationwide. ABJAD is an investor education initiative by InvestSmart® targeting the non-urban population in Malaysia. The objectives of ABJAD are, among others, to:

- Create financially literate rural communities by enhancing their awareness on scams and illegal schemes, thus empowering them to safeguard their own wealth;
- Broaden the awareness of rural communities in relation to investment products to build their wealth; and
- Improve the digital literacy of the rural population to encourage the use of technology particularly in relation to digital financial services and to ensure that they are well-equipped to face certain challenges (such as the COVID-19 pandemic).

KEMENTERIAN PENDIDIKAN

In addition to engaging with KKDW, the SC also engaged with the Ministry of Education (MOE) to assist in identifying 20 rural secondary schools nationwide to participate in ABJAD Phase 2. Using a 'train-the-trainers' approach, teachers and students from the identified schools, and managers from these PKD centres are trained to be 'Agents of Change' in spreading anti-scam awareness to family members and other adults in their communities, respectively. The SC also participated in KKDW events such as the *Pusat Komuniti Desa Mobile Negeri Perak 2023* and *Simposium Penyelidikan KKDW Tahun 2023* which act as avenues for the SC to engage and conduct knowledge sharing with rural folks, including community leaders.

Under Phase 1 of the ABJAD programme which was launched in 2022, students and teachers from 14 rural secondary schools were identified as 'Agents of Change' to undergo financial literacy and digital literacy modules using a computer-assisted e-learning platform. Upon completion, these students identified family members to complete the same e-learning modules. In 2023, an additional 5,399 participants comprising students and family members participated in Phase 1 of this programme. Upon the completion of Phase 1 of ABJAD, a total participation of 12,500 students, teachers, and family members was achieved. The SC has since commenced Phase 2 of ABJAD on 20 December 2023 with a targeted participation of another 12,500 teachers, students, and adults from rural communities. ABJAD Phase 2 is expected to be completed by 31 December 2024.

Virtual #FinPlan4U x Global Money Week 2023

In conjunction with the OECD's Global Money Week 2023, InvestSmart® organised a virtual #FinPlan4u service desk from 20 to 24 March 2023. This event was rolled-out in collaboration with the FPAM and MFPC to offer free, one-hour, one-to-one financial planning consultation sessions to members of the public. Throughout the week, 56 individuals benefitted from these free financial planning consultation sessions with licensed financial planners.

Program Celik Kewangan InvestSmart® @SC

After a hiatus of over three years since the COVID-19 pandemic, the SC brought back its quarterly half-day on-the-ground financial literacy seminars for the public. These seminars expose participants to knowledge relating to effective financial management, investing, and ways to avoid being victims of scams. In 2023, a total of four seminars were held at the SC:

- The first seminar involved *Projek Belia Mahir*, a non-governmental organisation which mobilises efforts to help youth categorised as NEET (Not in Employment, Education & Training) attain higher education and skills training (TVET). The seminar on 16 March 2023, held in conjunction with the OECD's Global Money Week 2023 involved the participation of over 100 NEET youth trainees and trainers from *Projek Belia Mahir.*

- The second seminar included a collaboration with the Selangor Department of Social Welfare (JKM) for seniors aged 55 years and above. The event was held on 22 June 2023 and served 72 members of the *Pusat Aktiviti Warga Emas* (PAWE) from all over Selangor.

- The third seminar on 30 August 2023 was held in collaboration with two non-governmental organisations namely *Pertubuhan Hal Ehwal Wanita dan Keluarga Malaysia* (HAWA) and Pepper Labs Sdn Bhd, and was attended by 109 participants comprising women from the B40 group.

- The final seminar on 31 October 2023 was held in collaboration with Institut Aminuddin Baki, and was attended by 62 participants comprising school principals and headmasters from the Klang Valley. Concurrently, the half-day seminar was also shown live on InvestSmart®'s YouTube as part of InvestSmart® Online Series in Q4 2023, with 193 views.

InvestSmart® Online Series

Since 2021, free webinars have been organised for the public to gain knowledge on the basics of capital market products and services, and awareness on scams and unlicensed activities. These webinars also guide the public on how and where to invest, including online. A total of over 508 participants attended the four webinars conducted in 2023. These webinars were recorded and uploaded on InvestSmart® YouTube channel for wider reach.

My Money & Me Programme 2023 by the MFPC

The SC once again participated in MFPC's online 'My Money & Me' Programme. In 2023, MFPC organised on-the-ground physical workshops that covered four main components of financial planning: Asset Protection, Asset Accumulation, Asset Management and Asset Distribution at five locations nationwide namely Petaling Jaya, Penang, Kota Kinabalu, Kuantan and Kuala Terengganu. The SC was invited to give a talk under the Asset Accumulation component on 'The Basics of Investing and How to Avoid Investment Scams'. The five workshops attracted over 1,195 participants.

InvestSmart® @ Federation of Investment Managers Malaysia's Online Webinar

On 21 March 2023, the SC was invited as a speaker at FIMM online webinar titled 'Investing Responsibly and with Confidence'. The other speakers included the SIDC and FIMM. The webinar attracted 389 attendees.

InvestSmart® @ Financial Literacy for Youth's Malaysian Youth Finance Series 2023

Financial Literacy for Youths (FLY) is an initiative started by students for students to spread awareness on the importance of knowledge in finance. The Malaysian Youth Finance Series (MYFS) is FLY's annual flagship event, with 2023's theme, 'Crisis Management and Sustainability', aimed at providing the Malaysian youth with a deep-dive into ESG as well as resource-management.

The SC, as the Co-Chair of the Financial Education Network (FEN) was invited to give a keynote address during the launch on 19 March 2023. The SC's InvestSmart® team and BNM's team organised a booth under the FEN banner. The event attracted 100 attendees.

InvestSmart® @ Ministry of Higher Education OECD Global Money Week 2023 Launch

The SC's InvestSmart® team participated in the Ministry of Higher Education (MOHE) OECD Global Money Week (GMW) launch event on 20 March 2023. 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 on scams and unlicensed activities.

InvestSmart® @ BNM Karnival Celik Kewangan

The SC, together with other FEN members, was invited to be part of the FEN's booth at the BNM's *Karnival Celik Kewangan Kelantan* held from 16 to 17 March 2023 at AEON Mall, Kota Bharu. The event was in line with BNM's blueprint, which emphasises the importance of financial inclusion and financial literacy. The SC was also invited to be a panellist at a pocket talk with BNM on sharing cyber-hygiene tips in order to avoid falling victim to financial scams. The event attracted over 20,000 visitors.

FEN's Financial Literacy Month 2023

Financial Literacy Month 2023 (FLM2023) was held throughout the month of October 2023, with the theme *Bijak Wang di Era Digital.* FLM2023 was launched on 1 October 2023 by YAB Prime Minister, Dato' Seri Anwar Ibrahim at Minggu Saham Amanah Malaysia 2023 (MSAM2023) in Bertam, Pulau Pinang organised by the PNB. Various activities were carried out by FEN members and partners, in the form of FLM2023 nationwide roadshow, forums, symposiums, events, workshops and webinars. The SC's participation in FLM2023 are as follows:

- MSAM2023 was held from 30 September to 8 October 2023. The event seeks to raise awareness and educate the public on investing in unit trusts, showcase PNB's investment products and investment companies, and highlight the regulatory and business environment within which the unit trust industry operates. At this event, PNB created a dedicated section for FEN to feature booths by its members and partners, including the SC. Apart from sharing investment knowledge and anti-scam awareness with the public, the SC also offered free consultation with licensed financial planners at the #FinPlan4U service desk. The SC conducted daily pocket talk sessions on anti-scam awareness and investment games. MSAM2023 attracted over 220,000 visitors.

- FLM2023 nationwide roadshow – the InvestSmart® team participated in five locations in the northern region i.e. Penang, Kedah and Perlis, and engaged with 373 participants.

- Organised FEN Weekly Webinar series – InvestSmart® hosted four webinars on Zoom once a week. Various financial literacy topics were covered during the weekly webinar, and was attended by more than 500 participants.

- Employee Provident Fund's Financial Literacy Week 2023 – the SC was invited to be a speaker on anti-scam awareness during its *Sesi Perkongsian Ilmu* on 20 October 2023 which was attended by 165 participants.

- Karnival Celik Kewangan 2023 – held from 27 to 29 October 2023 finale for the FLM2023 hosted by BNM at AEON Mall, Kulai, Johor. The event brought together financial institutions and government agencies under one roof to showcase their products and services, as well as provide advice to the public on financial matters. In addition to having a dedicated booth at the event, the SC also gave a talk on '*Silap Labur Duit Lebur*'. The three-day event attracted over 25,000 visitors.

Organised Virtual #FinPlan4U® – InvestSmart® offered free virtual one-to-one financial planning consultation with licensed financial planners on 4 and 5 October 2023. A total of 20 slots (each for one hour) were offered to members of the public over the two days. This initiative was also held in conjunction with the World Investor Week 2023.

InvestSmart® @ Ekspo Institusi Pendidikan TVET @KKDW 2023

On 14 and 16 July 2023, the SC was invited to assist in manning the FEN booth at the InvestSmart® *Ekspo Institusi Pendidikan TVET*. This event was organised by KKDW to promote the programmes and training opportunities provided by the TVET@KKDW agencies/institutions. The event attracted over 1,000 participants.

InvestSmart® @ Forum Kesejahteraan Pengurusan Ekonomi dan Kewangan Berpaksikan Konsep Malaysia MADANI

On 25 July 2023, the SC again manned the FEN booth, this time at the InvestSmart® @ *Forum Kesejahteraan Pengurusan Ekonomi dan Kewangan Berpaksikan Konsep Malaysia MADANI*. The programme was held at *Institut Tadbiran Awam Negara* (INTAN) and targeted staffs from ministries, government agencies and statutory bodies. The programme was attended by over 100 participants.

InvestSmart® Collaboration with Universities and School

Throughout the year, the SC was invited by various universities and school to give talks on investment and anti-scam messaging:

- On 14 July 2023, Sunway University invited the SC to give a talk on investments scams at their anti-scam workshop. The workshop aimed to empower young adults to protect themselves against scams and was attended by over 100 students from the university.

- FEN was invited by UniKL to open an exhibition booth and speak at their event, UniKL Financial Fusion Bootcamp, which took place from 9 to 11 September 2023. The event aimed to provide exposure and insights to students on financial literacy and to connect students with experts in the financial industry. As the Co-Chair of FEN, the SC was offered a slot to speak on investment scams to the 186 UniKL students that attended the event.

- On 10 October 2023, the SC was invited to give an anti-scam awareness talk to the Form 4 and Form 5 students of Sekolah Bina Insan Yayasan MSU. The briefing titled *'Silap Labur Duit Lebur'* was attended by 165 students.

InvestSmart® @ Bursa Marketplace Fair 2023

On 5 August 2023, the SC and FEN were invited to open a booth at Bursa Malaysia's Bursa Marketplace Fair 2023. The event aimed to educate and enhance investors' understanding and knowledge of the capital market and catered to all investor segments. The event, which was held at Persada Johor International Convention Centre Johor Bahru, attracted 1,500 visitors.

InvestSmart® @ Program Literasi Kewangan Digital, Pulau Tioman

On 8 August 2023, BNM launched its '*eDuit Desa* – Cashless Tioman' initiative in Tioman and planned a half-day community event called *Program Literasi Kewangan Digital*. BNM invited the SC to give an anti-scam awareness pocket talk titled *'Silap Labur Duit Lebur'*. The event gathered 70 participants from the rural communities in Tioman.

InvestSmart® @ Annual Signature Financial Planning Symposium 2023

The FPAM invited the SC to give a talk on anti-scam awareness at the Annual Signature Financial Planning Symposium 2023. This event was held on 23 August 2023 and was attended by 670 participants.

InvestSmart® @ Jabatan Kemajuan Islam Malaysia

The SC collaborated with JAKIM to promote investment literacy and anti-scam awareness through mosques and *suraus* in Malaysia. Under this collaboration, JAKIM facilitated the following initiatives:

- On 25 August 2023, an InvestSmart® representative participated as a panelist for JAKIM's Facebook Live on *Skim Pelaburan vs Skim Penipuan*. The live session attracted more than 1,200 views.

- On 8 September 2023, JAKIM, with the support of the SC, launch an anti-scam themed Friday sermon *'Jerat Serupa Jerami'* for mosques in the Federal Territory. The Friday sermon was telecasted LIVE on RTM TV1.

- On 26 September 2023, an InvestSmart® representative was invited to speak on anti-scam awareness at the *Kursus Pengurusan Profesionalisme Pegawai Masjid Tahun 2023* in Besut, Terengganu. The event was attended by 140 mosques officials throughout Malaysia.

InvestSmart® @ Active Ageing Festival

The one-day event on 23 September 2023 targeted seniors with various activities from Zumba to sharing sessions on nutrition, health, financial literacy and many more. The organiser, Taylor's University, invited the SC to give an anti-scam awareness talk, which was attended by 40 participants.

InvestSmart® @ Bursa Malaysia's Financial Frauds and Scams Workshop - Stay Sharp, Stay Alert

A half-day workshop organised by Bursa Malaysia was held on 4 October 2023 to address pressing concerns surrounding financial fraud and investment scams. The SC was invited to be a panel speaker on 'Navigating the Evolution of AI-Powered Frauds & Scams'. The workshop was attended by 105 participants.

InvestSmart® @ Konvensyen Literasi Kewangan Belia (Youth Financial Literacy) 2023

On 10 October 2023, the Ministry of Youth and Sports (KBS) organised the Konvensyen Literasi Kewangan Belia YFL 2023, attended by more than 1,500 youth participants. During the event, the SC's speaker participated in a panel discussion titled '*Penipuan Kewangan*', together with a counterpart from *Jabatan Siasatan Jenayah Komersil, Polis Diraja Malaysia*.

InvestSmart® @ FIMM Annual Convention 2023

On 17 October 2023, the SC participated as an exhibitor and a panel speaker at the FIMMAC 2023, an annual retail investment event organised by FIMM.

The attendees of the event comprises unit trust scheme (UTS) and PRS consultants, members of the investment management industry and the general public. The event aimed to share, learn, and discuss impactful topics across the UTS and PRS industries. The event featured exhibitors and seminars on topics related to UTS and PRS as well as quizzes and lucky draws. The event attracted 1,042 visitors.

InvestSmart® @ Seminar Pelaburan Saham #PAHANGNEXTWEALTH

A financial education programme was organised by the Yayasan Al-Sultan Abdullah on 21 October 2023 in Kuantan, Pahang. The programme aimed to elevate financial and investment literacy among the citizens of Pahang. The SC was invited to give an anti-scam awareness talk titled *'Silap Labur Duit Lebur'*, which attracted over 1,000 participants.

InvestSmart® @ Program Setahun Bersama Kerajaan MADANI

The Prime Minister's Office organised a three-day event from 8 to 10 December 2023 at the grounds of Stadium Nasional, Bukit Jalil to communicate and enhance public understanding of government policies. All ministries including the MOF were invited to set-up booths at the event. The SC, together with five other institutions/agencies under the MOF, joined MOF in its booth. MOF featured the SC's anti scam awareness messages as a key focus of its booth during the event, which attracted more than 230,000 visitors.

Public Service Announcement on All Television Channels, Radio Stations, and Public Transport

The SC continued its collaboration with the Ministry of Communications and Digital[4] to promote investment literacy and anti-scam messaging nationwide via PSAs on all television channels, radio stations, and public transportation operated by Prasarana Malaysia Bhd. This collaboration with the Ministry of Communication and Digital allows the SC to reach millions of Malaysians with its messaging at no cost. The PSAs included the following:

- *'Silap Labur Duit Lebur'* jingle featuring Malaysia's top singer, Dato' Sri Siti Nurhaliza which was featured on all local TV, radio stations and public transport from 9 January 2023 to 10 April 2023. The jingle reminds members of the public to always be vigilant when making investment decisions;

- News crawler and radio announcements on all local TV and radio stations, respectively, from 26 June to 22 September 2023 to increase the Malaysian public's awareness of Securities Industry Dispute Resolution Center's (SIDREC) capital market dispute resolution platform;

- News crawler on all local TV stations from 1 December 2023 to 31 January 2024 to remind the Malaysian public not to deposit monies into someone else's personal bank account when investing; and

- Radio announcements on all local radio stations from 15 December 2023 onwards to increase the Malaysian public's awareness on basic red flags for investment scams.

[4] Now known as Ministry of Communications.

Radio and Television Interviews on Anti-Scam Awareness

Besides on-the-ground engagements with the public to spread anti-scam awareness and knowledge on the SC and its InvestSmart® initiatives, the SC also appeared on various radio and TV stations to reach out to a wider audience. These include:

- Live interview with RTM Penang's Mutiara FM on 25 May 2023, reaching out to listeners in the northern region.
- Live interview with KL FM on 9 November 2023, reaching out to listeners in the Klang Valley.
- Live interview with Selangor FM on 14 November 2023, reaching out to listeners in the central region.
- Live interview with Johor FM on 27 October 2023, reaching out to listeners in the southern region.
- Television interview with RTM's TV1 English News – On The Table segment, which was aired lived on 8 September 2023. The SC shared insights on the importance of staying vigilant to avoid being scammed.
- Television interview with RTM's Selamat Pagi Malaysia, aired on 11 September 2023, speaking on the topic of '*Silap Labur, Duit Lebur*'.

InvestSmart® Social Media Outreach

InvestSmart® also continued to make full use of its social media platforms to reach the public with bite-sized information, further exposing them to capital market products and services, and awareness on scams and unlicensed activities. Numerous multi-language social media postings were made on InvestSmart®'s Facebook, Instagram, Twitter and TikTok platforms, reaching more than 13 million users in 2023.

MEDIA ENGAGEMENTS

The SC's commitment to fostering transparency, openness, and trust has been demonstrated through its robust media engagement activities throughout the year. In 2023, the SC issued 58 media releases, hosted eight press conferences and background briefings, and conducted 25 interviews with various media outlets. These efforts aim to ensure that accurate and timely information about the SC's initiatives and decisions are disseminated to the public.

Furthermore, 36 speeches by the SC Chairman and Senior Management team were shared with the press, allowing for greater access to the SC's key messages and priorities. The SC also issued press statements on significant events and developments, including the launch of *Ekonomi MADANI*, Invest Malaysia New York 2023 and Budget 2024. These press statements served as concise summaries of the SC's position and provided important context for the public and media to understand the rationale of these initiatives.

To nurture closer relationships with the media, regular visits to prominent media outlets were organised. In 2023, the SC organised three visits to various media outlets, allowing the SC to engage with journalists and editors in person. The SC visited The Edge and the New Straits Times Press, as well as state media agencies to forge relationships as well as engage in potential strategic partnerships.

Additionally, the SC30 Golf Tournament provided an avenue for networking and informal discussions, further strengthening the relationship between the SC and the media industry.

The SC's media engagement strategy extended beyond mere reporting; it aimed to establish thought leadership through the regular contributions of op-ed articles by the SC's Executive Team. In 2023, the SC contributed 10 op-ed articles to prominent publications, sharing insights on various topics and industry trends such as sustainability, audit, and investor education. These articles not only allowed the SC to showcase its expertise and vision but also provided valuable insights to shape public discourse on matters related to its mandate and responsibilities.

One of the cornerstones of the SC's media engagement activities was its commitment to investor education and protection. The SC spearheaded various media campaigns aimed at raising awareness about financial literacy and educating the public on how to identify and avoid investment scams. In 2023, targeted efforts were made through print, online and broadcast media to communicate with the public in rural communities and underserved areas.

By actively engaging with the media, the SC ensures that accurate and timely information is disseminated to the public, promoting a better understanding of its work and enhancing its credibility as a trusted, transparent and approachable regulator.

DRIVING RESULTS WITH INTERNAL ENGAGEMENTS

The SC's greatest assets are its people. Cultivating a positive, supportive, and inclusive work environment that values its talent and employees is key to being a high-performance organisation. Its internal engagements, some of which are featured here, serve to foster a deeper sense of togetherness and propel the staff towards the achievement of the SC's vision and mission for years to come.

Business Planning – Townhall and Management Offsite

Following from the introduction of the inaugural three-year Business Plan 2023-2025 held in 2022, townhall sessions were held to apprise SC staff of its new direction, as well as the 2023 Corporate Scorecard. The Business Plan and Corporate Scorecard aim to ensure a sharper focus among staff on carrying out the SC's dual-mandate in regulating as well as developing the capital market in alignment with national agendas and aspirations.

Three Business Plan Townhall sessions were held from 12 to 19 January 2023, where the SC's seven focus areas and strategies involving the deliverables of key needle-moving initiatives were cascaded to all staff. These Townhalls underscored the pivotal responsibilities entrusted to the SC and its staff, emphasising its significant roles within the capital market. It was highlighted that when working collectively under a unified umbrella, the SC and its staff can play an instrumental role in shaping the landscape of the capital market.

Subsequently, a Management Offsite was held from 6 to 8 October 2023, with the objective of prioritising and refining the proposed *2023-2025 Business Plan* initiatives and formulating a detailed *Action Plan for 2024*. This involved a sequence of deliberative sessions across Business Groups, where each department engaged in comprehensive discussions on the proposed initiatives. Furthermore, interlock sessions with key enablers took place from 30 October to 3 November 2023, involving 11 Business Groups and 45 Line Departments.

Cultivating the SC DNA - Interactive Workshops

The SC DNA, introduced in March 2023, comprised six dimensions which serve as the backbone for the SC's values, forming a powerful foundation in embodying the values of a model regulator and delivering excellence in all aspects of our work.

In internalising the SC DNA, a series of interactive sessions were organised throughout 2023. The sessions intended to provide experiential exposure to staff members on avenues to live out the dimensions and in encouraging fellow colleagues to do the same.

Staff members enrolled in a total of 10 half-day classroom sessions, with attendance consisting of staff from across departments and Business Groups, providing an opportunity for staff to socialise and, importantly, to learn with and from one another. Pursuant to the classroom sessions, online quizzes emphasising on specific touch points were organised to further inculcate the dimensions and embed them as a value across the SC.

Commemorating Occasions and Celebrating Milestones

Merdeka Leadership Series

The Merdeka Leadership Series was initiated in 2007 as the 'Reading Campaign and Merdeka Celebration Week' by the SC's Knowledge Management Department. Since then, it has evolved into a significant platform for insightful discussions and reflections. The inaugural event in 2007 coincided with Malaysia's 50th Independence Day celebration and set the stage for a series that continues to be known for its focus on leadership and national milestones.

In 2013, the series underwent a rebranding and emerged as the 'Merdeka Leadership Series'. This transformation was aligned with the SC 20th Anniversary celebration, shifting its focus to the Merdeka Talk. This evolution provided a platform for distinguished personalities to share their experiences, both pre- and post-independence, with the members of the SC community.

Fast forward to the Merdeka Leadership Series of 2023, a pivotal year as the SC commemorates its 30th anniversary. Tan Sri Dr. Munir Majid, the esteemed founding Chairman of the SC, was invited as the guest speaker. His presence added a profound dimension to the event as he shared invaluable insights into his pioneering role as the SC's first Chairman and the transformative journey of Malaysia's capital market under his leadership.

The event attracted a significant attendance of nearly 300 staff members from the SC and partners. The Executive Team, including the Chairman and Managing Director, played an active role in the event. The Managing Director gave the opening speech, setting the tone for the event, while the Chairman ended the ceremony by presenting mementos of appreciation to the guest speakers.

The Merdeka Leadership Series of 2023 not only celebrated the 30th anniversary of the SC but also served as a moment of reflection, fostering a sense of unity and purpose within the SC family. Through the words of Tan Sri Dr. Munir Majid, the event reaffirmed the significance of visionary leadership and collective effort in shaping the success of an institution dedicated to the development and stability of Malaysia's capital market.

SC 30th Anniversary

The SC marked a milestone occasion on 1 March 2023, celebrating its 30th anniversary in an event that brought the SC community together. The commemoration acknowledged the three decades of accomplishments while serving as a reflection of the organisation's rich history that binds the SC staff and broader stakeholders.

A milestone marked with the launch of SC DNA

The celebratory event commenced with a photo reel showcasing key milestones in the SC's journey over the years. The visuals served as a reminder of the collective achievements by the SC community, portraying the organisation's sense of camaraderie.

Dato' Seri Dr. Awang Adek Hussin, the Chairman of the SC, who has steered the institution through the post-pandemic era delivered a speech for the occasion highlighting its significance. A key takeaway of the event was the launch and introduction of the SC DNA – a set of core dimensions that includes Leadership, Talent Growth, Innovation, Stakeholder Focus, Integrity, and a Risk Mindset. The Chairman proceeded to emphasise the importance of integrating these values into the SC's daily work routines.

Reinforcing SC DNA commitments

Adding a personal touch, an 'SC DNA tree' was set up in the atrium, allowing staff to write pledges, and inspirations on small cards to be positioned on the tree. The interactive concept encouraged a sense of commitment to shared values, fostering a collaborative and aspirational atmosphere within the SC community.

The event also featured the unveiling of the SC30 logo and a video compilation showcasing a cross-section of staff, profiling the SC as a dynamic workplace that provides opportunities to 'work, learn, and grow'.

Recognising long-serving staff

Recognising the backbone of any organisation, the event celebrated long-serving staff members with the Long Service Award. The spotlight shifted to 15 staff members who have been with the SC since its inception 30 years ago. The Chairman honored the staff by presenting them with certificates and letters of appreciation for their long-standing years of service.

The celebration ended with the cutting of a specially prepared SC30 anniversary cake, whereby the Chairman, joined by the Executive Team members, symbolically marked the occasion.

Hari Raya Celebration

In the spirit of unity and in conjunction with the Hari Raya festivities, the SC continued its annual tradition of hosting a Hari Raya open house on 10 May 2023. The event was testament to the SC's commitment to promoting inclusivity, sustainability, and community engagements. The event was divided into two sessions – one for the SC's staff and affiliates, and the other for industry stakeholders.

Embracing harmony and sustainability

The theme for the Hari Raya celebration was '*Dalam Taman, Kita Beraya*,' emphasising environmental consciousness and sustainability. The decorative concept in the venue is in line with the SC's commitment to promote environmental initiatives.

The open house provided an opportunity for the SC's staff and affiliates to come together and celebrate the festive season, fostering a sense of camaraderie and unity within the organisation. Similarly, the session dedicated to industry stakeholders allowed meaningful interactions and collaborations, strengthening the SC's relationship with key players in the capital market. The SC hosted around 350 guests from the industry, while for the staff session, approximately 800 attended. VVIPs in attendance included His Royal Highness Sultan Nazrin Muizzuddin Shah, Ruler of the State of Perak Darul Ridzuan.

Promoting inclusivity and community engagement

Rumah Pengasih Warga Prihatin (RPWP) from Kajang was also invited to join in the festivities. The SC hosted a mixed group comprising orphans (24 children) and economically-impacted families during the staff and affiliates session, embodying the SC's commitment to engage underserved communities. RPWP has been operating since 2005 and is privately funded and collectively managed by its 20 co-founders. It serves as a research and development center for human civilisation, providing shelter and education for orphans, the elderly, the disabled, and the poor.

The SC Chairman presented *duit raya* packets along with gifts reflecting the spirit of giving. The Chairman also initiated a collective contribution towards a charity home with the aim of making a positive impact and improving the welfare of the community.

PART 5
ORGANISATION INFORMATION

BOARD MEMBERS

DATO' ALIZATUL KHAIR OSMAN KHAIRUDDIN

TAN SRI MAZLAN MANSOR

DATIN RASHIDAH MOHD SIES*

TAN SRI WEE HOE SOON @ GOOI HOE SOON

Note:
* Completed term as Board Member on 12 January 2024.
** Appointed as Board Member on 15 January 2024.
# Datuk Dr. Shahrazat Haji Ahmad (*not in picture*) is appointed as a new Board Member effective 15 February 2024.

DATO' SERI DR. AWANG ADEK HUSSIN

DATUK DR. ZUNIKA MOHAMED

DATO' MOHAMMAD FAIZ AZMI

KEMAL RIZADI ARBI**

BOARD MEMBERS

DATO' SERI DR. AWANG ADEK HUSSIN
Appointed 1 June 2022

Dato' Seri Dr. Awang Adek Hussin was appointed the Executive Chairman of the Securities Commission Malaysia (SC) on 1 June 2022. He is also the Chairman of the Board of Governors of Universiti Sains Malaysia (USM).

Prior to his appointment as Chairman of the SC, Dato' Seri Dr. Awang Adek served as Malaysia's Ambassador to the United States of America (USA) from 2014 to 2016 and Chairman of Majlis Amanah Rakyat (MARA) from 2017 to 2018.

Dato' Seri Dr. Awang Adek has extensive experience in economics and finance, having spent over 30 years in government and public service. He served as Deputy Minister of Rural Development from 2004 to 2006 and Deputy Minister of Finance from 2006 to 2013. He was also a member of Parliament from 2004 to 2008, and a senator from 2009 to 2013.

Dato' Seri Dr. Awang Adek was with Bank Negara Malaysia for 17 years from 1985 until 2001, holding several positions and eventually rising to the rank of Assistant Governor. He had also served on the boards of directors of several financial institutions and organisations including the SC, the first Director General of the Labuan Financial Services Authority (LFSA), Permodalan Nasional Bhd (PNB), Chairman of Tenaga Nasional Bhd (TNB), and also Chairman of Perbadanan Nasional Bhd (PERNAS).

Dato' Seri Dr. Awang Adek received his Bachelor's degree in mathematics and economics from Drew University, US, as well as his Master's and Doctor of Philosophy (PhD) in economics from University of Pennsylvania, US.

TAN SRI WEE HOE SOON @ GOOI HOE SOON
Appointed 1 January 2019

Tan Sri Gooi Hoe Soon has over 35 years of experience in the fields of accounting and corporate finance. He was instrumental in the successful implementation of several corporate exercises, which includes mergers and acquisitions and corporate debt restructuring exercises by PLCs.

He is a member of the EPF Investment Panel and also currently sits on the board of directors of Yinson Holdings Bhd, Red Ideas Holdings Bhd, Perusahaan Sadur Timah Malaysia (PERSTIMA) Bhd, AIA Bhd and LMS Compliance Ltd.

Tan Sri Gooi was the former Chairman of the Board of EON Bank Bhd from 2009 to 2012, Chairman of Amity Bond Sdn Bhd and Deputy Chairman of Avenue Capital Resources Bhd. He was also the CEO/Executive Director-Dealing of Avenue Securities Sdn Bhd. Tan Sri Gooi is a Member of the Malaysian Association of Certified Public Accountants and Malaysian Institute of Accountants.

DATUK DR. ZUNIKA MOHAMED
Appointed 1 June 2020

Datuk Dr. Zunika Mohamed is currently the Deputy Secretary General (Policy), Ministry of Economy. She is a trained economist and has served in various capacities at several ministries over the last 25 years, including as the Deputy Secretary General (Policy) of the Ministry of Agriculture.

She holds a doctorate in Economics from Universiti Putra Malaysia and obtained her postgraduate and undergraduate economics degrees at the International Islamic University Malaysia and University of Texas, US respectively. Datuk Dr. Zunika also has a diploma in Public Administration from the National Institute of Public Administration (INTAN) Malaysia.

DATIN RASHIDAH MOHD SIES
Appointed 15 September 2020

Datin Rashidah Mohd Sies is currently the Deputy Secretary General (Management) of the Ministry of Finance, a position she has held since 22 March 2021. Datin Rashidah has served the Ministry of Finance for more than 29 years. She brings onboard a wealth of knowledge and experience, being at the forefront of issues pertaining to investment, finance, economic policies, federal budgeting, and financial legislation and regulation, among others.

Datin Rashidah obtained a Master of Business Administration from International University California, US, following a Bachelor's degree in Business Administration (Finance) from Idaho State University, USA. She holds a Diploma in Public Administration from INTAN.

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* Completed term as Board Member on 12 January 2024.

TAN SRI MAZLAN MANSOR
Appointed 1 March 2022

Tan Sri Mazlan Mansor was the Deputy Inspector General of the Royal Malaysia Police prior to his retirement in August 2020.

He had served in the Police Force for almost 41 years, helming various senior positions including Director of Commercial Crime Investigation Department, Chief Police Officer of Selangor and Commissioner of Police Sarawak, to name a few. In addition to his vast experience in investigation work, Tan Sri Mazlan had also served as a Legal/ Prosecution Officer at the Criminal Investigations Department (CID), Bukit Aman after having obtained an LL.B. (Honours) degree from the University of Wales, Aberystwyth UK in 1992.

In 2021, Tan Sri was appointed as an Independent Non-Executive Director on the board of AmREIT Managers Sdn Bhd (AmREIT). He has stepped down from the AmREIT board prior to the effective date of his appointment as a Member of the SC Board. Tan Sri Mazlan also currently sits as Independent Non-Executive Director in RCE Capital Bhd.

Tan Sri Mazlan's appointment provides diversity to the Board. He brings with him a wealth of experience, given the various positions he had helmed as a senior Royal Malaysia Police official. His appointment to the boards of the two PLCs, as well as on AmREIT, a regulated entity, had provided Tan Sri Mazlan with the relevant exposure for undertaking the role as an independent board member.

DATO' MOHAMMAD FAIZ AZMI
Appointed 15 August 2023

Dato' Mohammad Faiz Azmi has over 38 years of experience in the audit and business advisory services in Malaysia and the UK. He recently retired as a partner and the Executive Chairman of PwC Malaysia. He was the leader of PwC's Global Islamic Finance Team practice from 2007 to 2012. He was also PwC's Malaysia's Financial Services Leader and joint Head of Audit and led the ESG and Shariah Investing part of PwC's Sustainability and Climate Change practice in Malaysia.

Much of his recent work has been with the Federal and State Governments involving Accrual Accounting, acting as an Administrator for an airline and certain government entities, sustainability work and being part of the Federal Government's National Covid vaccine rollout. He has also been involved in the preparation of the Federal Government's financial accounts and restructuring and investigations into government agencies. He was recently appointed as a board member of the SC.

Dato' Faiz is a member of Malaysian Institute of Accountants (MIA), a Fellow of the Institute of Chartered Accountants England and Wales (ICAEW) and the Malaysian representative on the ICAEW council in London. He has held the post of President of MIA, Chairman of the Malaysian Accounting Standards Board (MASB) and ICAEW City Group Chairman in Malaysia. He is currently Chairman of MyPac (a local education NGO), Chairman of the MASB's Standing Committee on Islamic Financial Reporting and a member of the International Accounting Standards Board's Islamic Finance Consultative Group. He is a council member of Climate Governance Malaysia.

He was educated in Malaysia and UK and read law at the University of Durham before being called to the English Bar. He is an alumnus of Lincoln's Inn and a member of the Inns of Court of Malaysia. He is a member of the Worshipful Company of Chartered Accountants England and Wales. He was conferred the Darjah Kebesaran Dato' in 2013 by the Sultan of Selangor. He was conferred an Honorary Degree of Doctorate of Laws by the University of Nottingham in July 2016.

DATO' ALIZATUL KHAIR OSMAN KHAIRUDDIN

Appointed 15 August 2023

Dato' Alizatul Khair Osman Khairuddin graduated with a Bachelor of Laws (Honours) from the University of Malaya in 1976 and a Master of Laws from the London School of Economics, University of London, UK, in 1982.

Dato' Alizatul Khair has extensive experience in the legal and judicial fields since 1976. Among the posts she held were Legal Advisor to the Ministry of Education, Deputy Head of the Civil Division of the Attorney General's Chambers and State Legal Advisor of Penang at the Penang State Legal Advisor's Office in 1995.

Dato' Alizatul Khair was later appointed a Judicial Commissioner at the Shah Alam High Court (2003), Judge at the Shah Alam High Court (2004), Judge at the Kuala Lumpur High Court (2008) and Judge of the Court of Appeal in 2011.

In 2017, Dato' Alizatul Khair was appointed to the Federal Court where she served until her retirement in 2019.

KEMAL RIZADI ARBI

Appointed 15 January 2024

Kemal Rizadi Arbi has 30 years of global experience in the financial services and corporate sector involved in Islamic finance, investment banking, corporate finance, fund management, sustainable finance, fintech, virtual assets, and as a regulator, policymaker and strategic developer of capital markets (including the Islamic capital market) in the Middle East and Asian region.

He is currently an Advisor with the government of Oman and has been with the Executive President and Vice President's Office at the Capital Market Authority (Oman CMA) since 2013, which regulates and develops the financial industry in Oman relating to the capital market and insurance sectors (both conventional and Islamic). He has been involved in the development of the Islamic capital market in Oman from the very beginning since the introduction of Islamic finance.

Prior to joining the Oman CMA, he had established initiatives for the development of the Malaysian and ASEAN+3 capital markets (including Islamic capital markets), through various senior positions at the SC.

He had also advised the Board of Directors of PLCs in various industries on corporate transactions, while working as a senior corporate and investment banker at the Maybank and Avenue Capital Resources Bhd group (previously owned by the Minister of Finance (Incorporated) Malaysia). In addition, he had been a Board Member of an asset management company previously owned by the Johor Corporation involved in fund management.

He graduated with a Bachelor of Science degree in Actuarial Science from the University of Iowa, US as a JPA scholar. He also holds an MBA (Finance) from the International Islamic University Malaysia and Chartered Islamic Finance Professional (CIFP) master's degree from the International Centre for Education in Islamic Finance University (INCEIF University), Malaysia.

EXECUTIVE MEMBERS

BUDIMAN LUTFI MOHAMED
Director Enforcement

DATUK SERI ABDUL JALIL HAMID
Executive Director Strategic Communications & Chairman's Office

ALEX OOI THIAM POH
Executive Director and Head Audit Oversight

DATO' ZAIN AZHARI MAZLAN
Executive Director Corporate Finance & Investments

SALMAH BEE MOHD MYDIN
Executive Director Market Development

DATUK KAMARUDIN HASHIM
Managing Director

DATO' SERI DR. AWANG ADEK HUSSIN
Chairman

DATIN AZALINA ADHAM
Managing Director

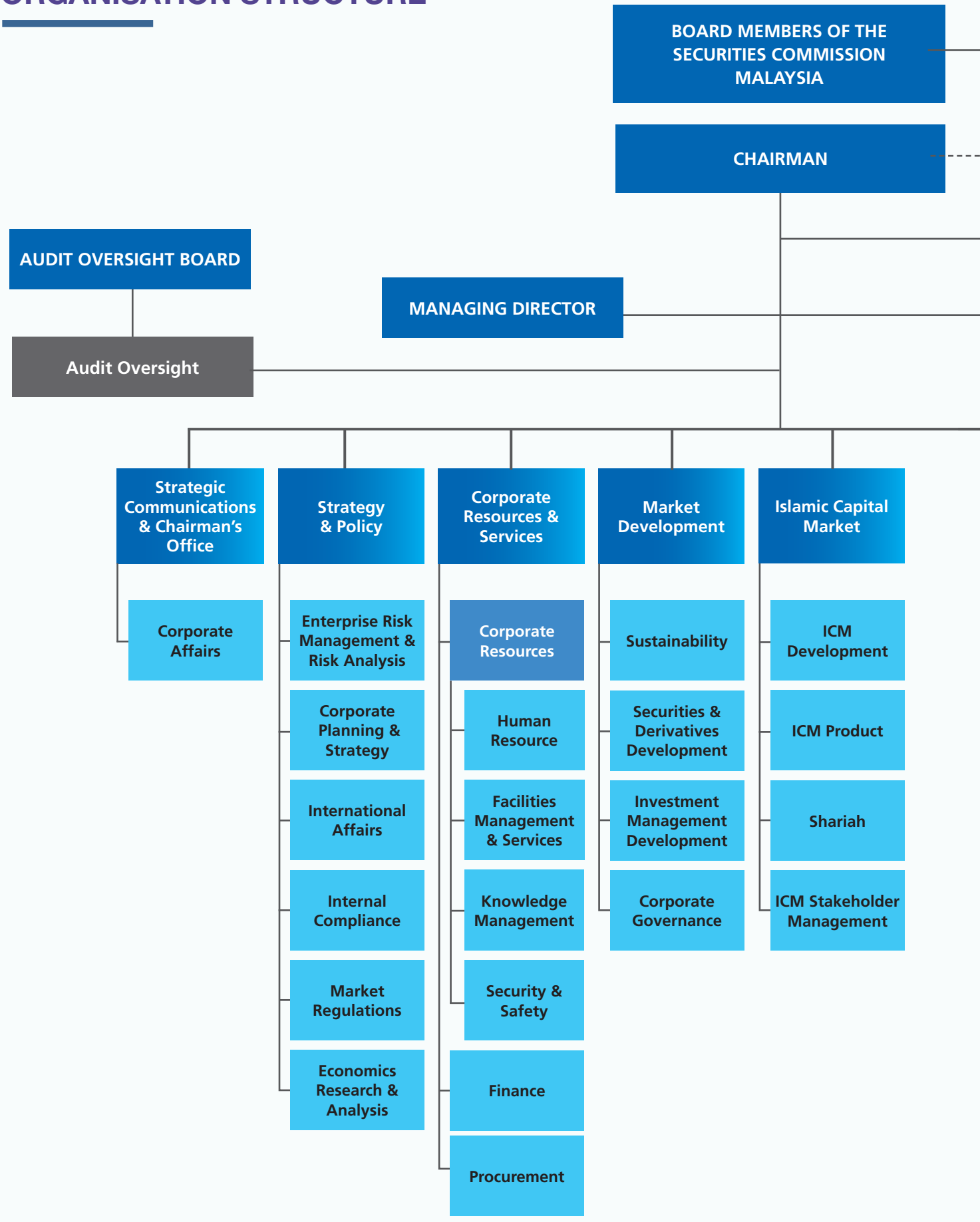
SHARIFATUL HANIZAH SAID ALI
Executive Director Islamic Capital Market

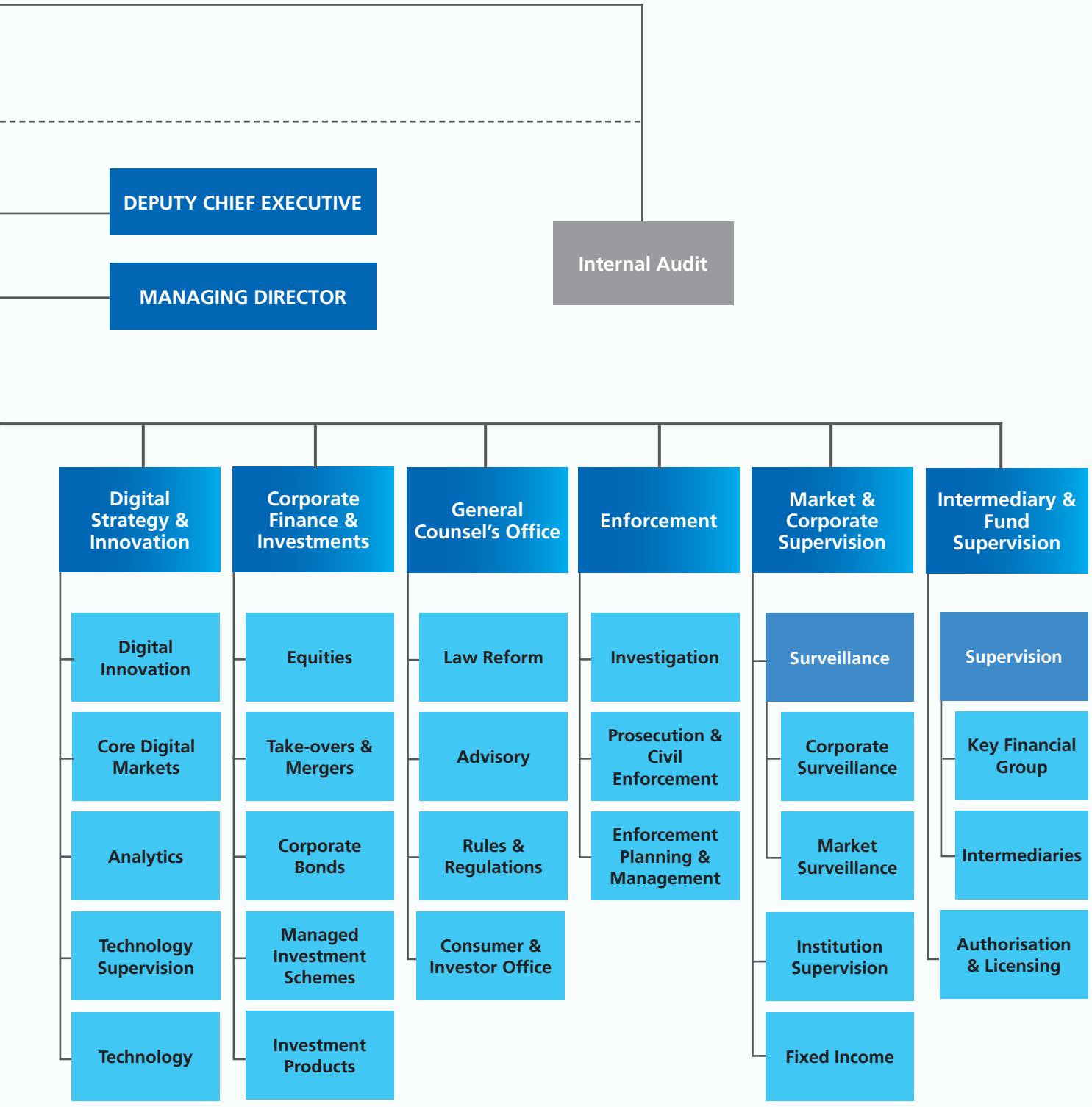
YEW YEE TEE
Executive Director and General Counsel

DR. WONG HUEI CHING
Executive Director Digital Strategy & Innovation

SHAMSUL BAHRIAH SHAMSUDIN
Director Intermediary & Fund Supervision

ORGANISATION STRUCTURE




DEPUTY CHIEF EXECUTIVE
MANAGING DIRECTOR
Internal Audit
Digital Strategy & Innovation
Digital Innovation
Core Digital Markets
Analytics
Technology Supervision
Technology
Corporate Finance & Investments
Equities
Take-overs & Mergers
Corporate Bonds
Managed Investment Schemes
Investment Products
General Counsel's Office
Law Reform
Advisory
Rules & Regulations
Consumer & Investor Office
Enforcement
Investigation
Prosecution & Civil Enforcement
Enforcement Planning & Management
Market & Corporate Supervision
Surveillance
Corporate Surveillance
Market Surveillance
Institution Supervision
Fixed Income
Intermediary & Fund Supervision
Supervision
Key Financial Group
Intermediaries
Authorisation & Licensing

SHARIAH ADVISORY COUNCIL MEMBERS

PROFESSOR DR. AZNAN HASAN
Chairman

DR. ENGKU RABIAH ADAWIAH ENGKU ALI
Deputy Chair

PROFESSOR DR. ASHRAF MD HASHIM

PROFESSOR DATO' DR. ASMADI MOHAMED NAIM

ASSOCIATE PROFESSOR DR. MOHAMED FAIROOZ ABDUL KHIR

SAHIBUS SAMAHAH DATO' SETIA DR. HAJI ANHAR HAJI OPIR

DR. MARJAN MUHAMMAD

ASSISTANT PROFESSOR DR. AKHTARZAITE HAJI ABDUL AZIZ

BURHANUDDIN LUKMAN

Note:
* Tan Sri Dr. Mohd Daud Bakar completed term as Chairman of the Council on 30 June 2023.
* Dr. Shamsiah Mohamad, Profesor Dato' Dr. Mohd Azmi Omar and Dr. Zaharuddin Abdul Rahman completed term as Council Members on 30 June 2023.

STATEMENT ON GOVERNANCE

The 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, *Capital Markets and Services Act 2007* (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 seven 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.

Dato' Seri Dr. Awang Adek Hussin assumed the position of Chairman on 1 June 2022. A profile of Board members is featured on pages 150 to 153 and their involvement in the various committees established by the Board is provided on page 161.

The Chairman is appointed for a term of three years, and is eligible for reappointment upon completion of his or her term. Other Board members are appointed for a term of two 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 full time office in any public-listed company, 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 three 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 the following–

- advise the Minister on all matters relating to the capital market;
- regulate all matters relating to the capital market;
- ensure that the provisions of the securities laws are complied with;

- regulate the take-overs and mergers of companies;
- promote and regulate all matters relating to fund management, including unit trust schemes and PRS;
- supervise and monitor the activities of any exchange holding company, stock exchange, derivatives exchange clearing house and central depository;
- take all reasonable measures to maintain the confidence of investors in the capital market by ensuring adequate protection for such investors;
- 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;
- 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;
- consider and make recommendations for the reform of the securities laws;
- encourage and promote the development of the capital market in Malaysia including research and training in connection thereto;
- encourage and promote self-regulation by professional associations or market institutions in the capital market;
- 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;
- promote and maintain the integrity of all licensed persons, registered persons, approved persons and participants in the capital market;
- 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;
- 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;
- take all reasonable measures to monitor, mitigate and manage systemic risks arising from the capital market;
- promote and regulate corporate governance and approved accounting standards of listed corporations; and
- 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

A total of 11 Board meetings were held in 2023. The quorum required is five. 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.

TABLE 1
Attendance at Board meetings

Board members	Number of meetings attended
Dato' Seri Dr. Awang Adek Hussin	11/11
Tan Sri Gooi Hoe Soon	11/11
Datuk Dr. Zunika Mohamed	9/11
Datin Rashidah Mohd Sies[1]	10/11
Lynette Yeow Su-Yin[2]	5/5
Tan Sri Mazlan Mansor	11/11
Dato' Mohammad Faiz Azmi[3]	4/4
Dato' Alizatul Khair Osman Khairuddin[3]	4/4

Note:
1 Completed term as Board Member on 12 January 2024.
2 Completed term as Board Member on 10 June 2023.
3 Appointed as Board Member on 15 August 2023.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (ARC) 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 ARC are set out in the Audit and Risk Committee Charter as approved by the Board. Essentially, the ARC provides oversight of the SC's governance, risk management and internal control practices.

The ARC has an oversight role over the internal audit function, including reviewing the outcome of audits and approving the annual internal audit plan.

The ARC reviews the suitability, independence and performance of external auditors and makes recommendations to the independent non-executive Board members for the annual appointment/reappointment of the external auditors. The ARC is also responsible for the review of the external auditors' proposed audit scope, approach, audit fee and audit outcome, including reviewing all significant matters relating to the financial statements with Management and the external auditors. For the current financial year of 2023, the ARC had convened seven meetings.

TABLE 2
Board Committees

Committee	Key responsibility	Members
1. Audit and Risk Committee	Review the effectiveness of the SC's governance, risk management and internal control systems, and review the annual financial statements.	• Tan Sri Gooi Hoe Soon (Chairman) • Datuk Dr. Zunika Mohamed • Datin Rashidah Mohd Sies[1] • Lynette Yeow Su-Yin[2] • Dato' Alizatul Khair Osman Khairuddin[3]
2. Issues Committee	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.	• Dato' Seri Dr. Awang Adek Hussin (Chairman) • Tan Sri Gooi Hoe Soon • Datin Rashidah Mohd Sies[1] • Lynette Yeow Su-Yin[2] • Dato' Mohammad Faiz Azmi[3] • Dato' Alizatul Khair Osman Khairuddin[3]
3. Take-overs and Mergers (TOM) Committee	Review take-over and merger related applications of a novel and/or complex nature and matters relating to national policy.	• Dato' Seri Dr. Awang Adek Hussin (Chairman) • Tan Sri Gooi Hoe Soon[4] • Datin Rashidah Mohd Sies[1] • Lynette Yeow Su-Yin[2] • Dato' Mohammad Faiz Azmi[3]
4. Licensing Committee	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	• Dato' Seri Dr. Awang Adek Hussin (Chairman) • Tan Sri Gooi Hoe Soon[4] • Datuk Dr. Zunika Mohamed • Tan Sri Mazlan Mansor • Dato' Mohammad Faiz Azmi[3]
5. Nomination and Remuneration Committee (NRC)	Assess and formulate the remuneration of the Chairman and Deputy Chief Executive (DCE) and make appropriate recommendations to the Minister of Finance.	• Tan Sri Gooi Hoe Soon (Chairman)[4] • Datuk Dr. Zunika Mohamed • Lynette Yeow Su-Yin[2] • Tan Sri Mazlan Mansor (Chairman)[5] • Dato' Alizatul Khair Osman Khairuddin[3]
6. Sustainability Committee[6]	Provide oversight on the formulation of the SC's internal policy positions as well as policy positions to regulate and develop the capital market on sustainability and ESG-related strategies.	• Dato' Seri Dr. Awang Adek Hussin (Chairman) • Tan Sri Gooi Hoe Soo • Datuk Dr. Zunika Mohamed • Dato' Mohammad Faiz Azmi[3]

Note:
1 Completed term as Board Member on 12 January 2024.
2 Completed term as Board Member 10 June 2023.
3 Appointed as Board Member on 15 August 2023.
4 Completed term as Member of TOM, Licensing Committee and NRC on 26 September 2023.
5 Appointed as Chairman of NRC on 26 September 2023.
6 Established on 26 September 2023.

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 nine SAC members as listed in Table 3, serve for a three-year period commencing 1 July 2023, as assented by the Yang di-Pertuan Agong under section 31ZK of the SCMA.

TABLE 3
Shariah Advisory Council members

SAC members	
1.	Tan Sri Dr. Mohd Daud Bakar[1]
2.	Professor Dr. Aznan Hasan[2]
3.	Dr. Engku Rabiah Adawiah Engku Ali[3]
4.	Professor Dr. Ashraf Md Hashim
5.	Professor Dato' Dr. Asmadi Mohamed Naim
6.	Associate Professor Dr. Mohamed Fairooz Abdul Khir
7.	Dr. Shamsiah Mohamad[4]
8.	Professor Dato' Dr. Mohd Azmi Omar[4]
9.	Dr. Zaharuddin Abdul Rahman[4]
10.	Sahibus Samahah Dato' Setia Dr. Haji Anhar Haji Opir[5]
11.	Dr. Marjan Muhammad[5]
12.	Assistant Professor Dr. Akhtarzaite Haji Abdul Aziz[5]
13.	Burhanuddin Lukman[5]

Note:
1 Completed term as Chairman of the Council on 30 June 2023.
2 Appointed as Chairman of the Council on 1 July 2023.
3 Appointed as Deputy Chair of the Council on 1 July 2023.
4 Completed term as Council Members on 30 June 2023.
5 Appointed as Council Members on 1 July 2023.

AUDIT OVERSIGHT BOARD

The Audit Oversight Board (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 schedule 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

AOB members	
1.	Dato' Anantham Kasinather[1]
2.	Tan Sri Abu Samah Nordin[2]
3.	Alex Ooi Thiam Poh
4.	Salmah Bee Mohd Mydin
5.	Hong Chin Pheng
6.	Datuk Nor Azimah Abdul Aziz
7.	Dato' Seri Ahmad Johan Mohammad Raslan
8.	Dato' Noorazman Abd Aziz[3]

Note:
1 Completed term as Non-Executive Chairman of the Board on 30 November 2023.
2 Appointed as Non-Executive Chairman of the Board on 5 January 2024.
3 Appointed as Board Member on 1 August 2023.

RISK MANAGEMENT AND INTERNAL CONTROLS

The SC acknowledges the importance of maintaining a robust risk management framework and internal control to safeguard its integrity and governance. This approach is established and supported by the Board, Board committees, management committees, and a strong internal governance process.

Periodically, the SC undertakes a comprehensive review of its risk management framework and internal controls, to ensure its effectiveness and adequacy. This review by the Executive Risk Management Committee (ERMC) and the ARC, entails the identification, assessment, monitoring, and reporting of key risks, with the overarching goal of safeguarding the SC's governance, objectives, and reputation.

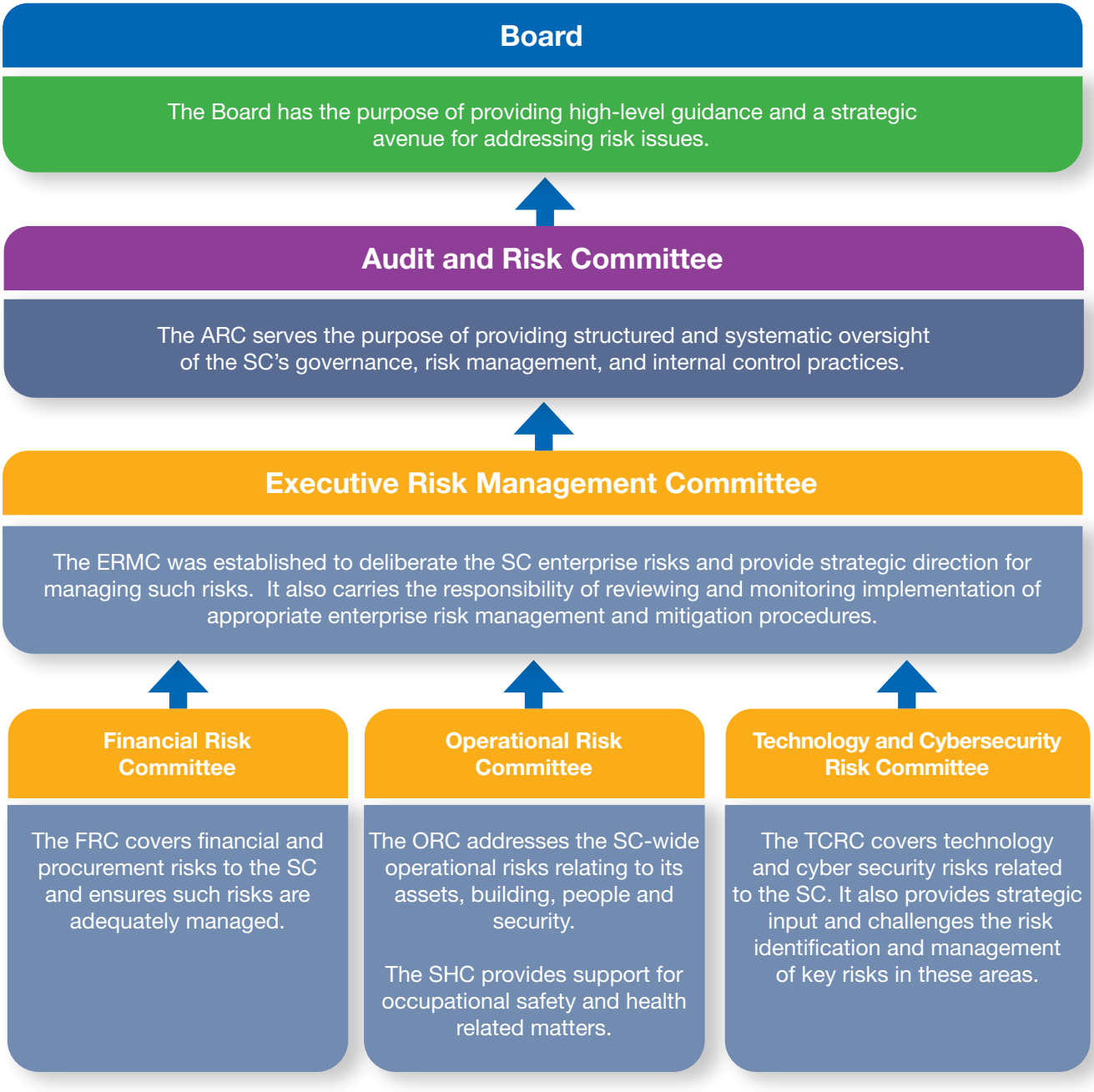
Risk Management

The SC's enterprise risk management framework, including the *Enterprise Risk Management Policy and*

Guidelines, serves as the foundation and guidance for managing risks across the SC. This process aligns with ISO 31000:2018 and encompasses the identification, evaluation, reporting, treatment, monitoring, and review of both strategic and operational risks within the SC.

The SC has consistently enhanced its internal risk monitoring and reporting through the three sub-risk committees i.e. Financial Risk Committee (FRC), Operational Risk Committee (ORC) and Technology and Cybersecurity Risk Committee (TCRC). These committees, chaired by senior management of the SC, oversee specific key risk areas and escalate matters to the ERMC for deliberation. In addition, the Safety and Health Committee (SHC) is responsible for ensuring compliance with the *Occupational Safety and Health Act* (OSHA) and reports to the ORC on matters related to SC employees' safety and well-being.

FIGURE 1
SC Internal Risk Governance Structure



At the ERMC, the SC's senior management deliberates key risks at an enterprise level and offers strategic guidance to the line departments for addressing these risks, which are also assessed in accordance with three critical impact areas: strategic, organisational resiliency as well as legal and compliance. Key risks are actively managed to minimise their impact on these critical areas. In 2023, a total of 23 meetings were held to deliberate various key issues. These include five ERMC meetings, four ORC meetings, six FRC meetings, four TCRC meetings and four meetings for SHC matters.

FIGURE 2
Critical Impact Areas

Business Continuity Management

Organisational resilience is described as an organisation's ability to anticipate, prepare for, and swiftly respond to business disruptions, enabling it to navigate paradigm shifts in an orderly manner. The SC has established a *Business Continuity Management Policy and Framework*, aligned with the *ISO 22301:2019 Security and Resilience – Business Continuity Management System* (BCMS) requirements, to ensure its resilience and preparedness for any disruption to its critical operations. The SC continuously enhances its business continuity processes, encompassing business resumption, disaster recovery, crisis management and business impact analysis.

Furthermore, to ensure smooth and effective business continuity management, the SC conducts various scenario-based simulations and tests. These include quarterly Information Technology (IT) component testing, annual building evacuation drill, operational simulations, as well as thematic tests designed to assess the organisation's preparedness for specific and critical scenarios. The BCM policy and framework undergo an annual review to incorporate necessary updates and ensure its relevance and alignment to strategic objectives.

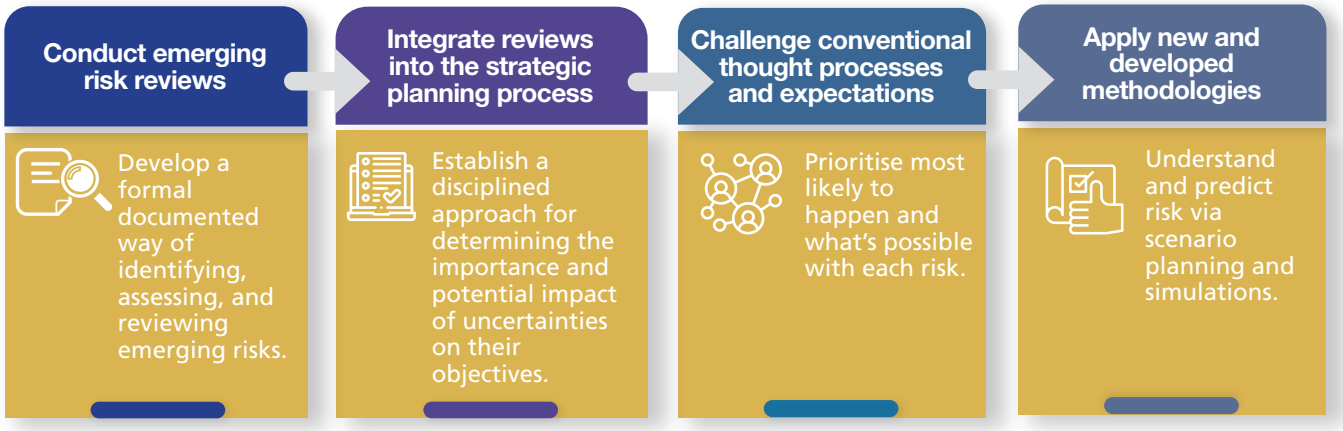
Moreover, business process recovery and operational resiliency are integral aspects of the SC's strategy to ensure uninterrupted operations, safeguard the SC's ability to provide essential services and sustain its commitment to operational excellence in any plausible circumstances.

Emerging Risks

In today's dynamic environment, as the SC increasingly depends on innovative solutions and remain closely connected to external factors, the organisation encounters potential challenges from newly recognised hazards. Emerging risks are often uncertain in terms of their likelihood and potential impact on business functions and operations. The SC is diligently monitoring these emerging risks, even though they may not materialise immediately, in a forward-looking approach to ensure continued resilience.

The SC has established an internal process to identify emerging risks on an annual basis. This methodology includes the analysis of risk data points derived from leading and lagging key risk indicators, engagement

FIGURE 3
Identification of Emerging Risks Framework



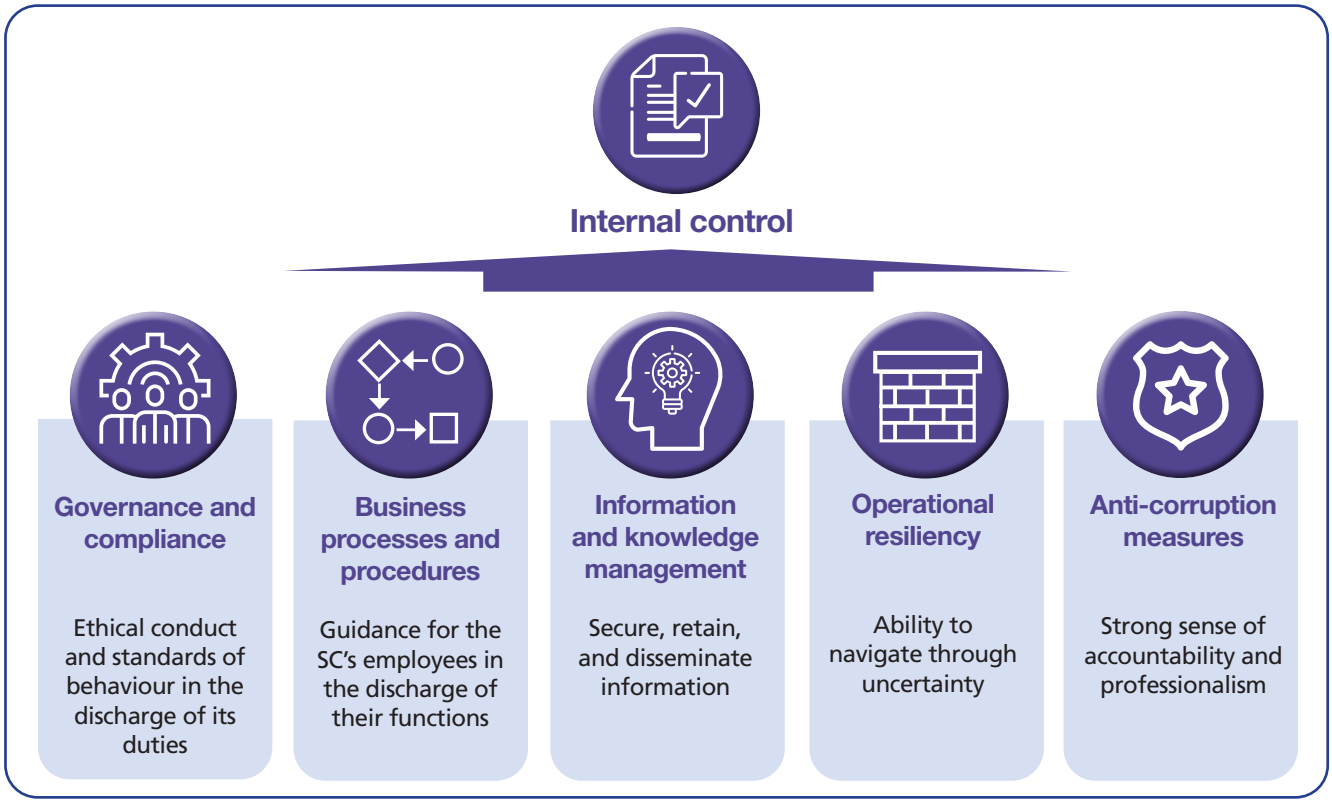
with risk officers and relevant stakeholders and environmental scanning for emerging risk issues. The outcome of this comprehensive and robust approach is the risk outlook that provides insight into the risk landscape for 2024, which will serve as valuable input for strategic planning processes.

Through early identification of emerging risks, the proactive development of risk mitigation measures and response plans is facilitated, as indicated in Figure 4.

Internal Controls

The SC has implemented a set of internal control measures through policies and procedures that address operational aspects related to governance, staffing, procurement, operational resilience, data protection and risk management. These measures are designed to offer assurance regarding the effectiveness of the control environment.

FIGURE 4
Internal Control Measures



Governance and Compliance

The establishment of the *Code of Conduct* served the following purposes:

- Defining governance expectations for Board Members in the execution of their duties.

- Outlining expectations for the SC employees encompassing ethical conduct and standards of behaviour throughout their tenure with the SC.

- The SC continues to advocate the principles of ethics and integrity within the organisation. External stakeholders are encouraged to embrace the SC's *Principles and Standards* that focuses on ethical conduct including declaration of potential conflict of interest situations, and a zero-tolerance policy on all forms of bribery and corruption.

- The SC maintains several feedback channels for employees and external parties to raise concerns or complaints against the SC and its employees. A review of the complaints and *Internal Whistleblowing Procedure* is in progress to ensure an enhanced seamless and independent process when handling any concerns raised. Further, in ensuring the SC is aligned with principles of transparency and maintaining the highest standards of ethics by employees, the presentation of gifts and/or hospitality to an employee of the SC is discouraged. The *Gift and Hospitality Policy* was enhanced to provide clarity on the organisation's position on giving, receiving, and declaring gifts and/or hospitality.

- In discharging the SC's functions and roles, due care must be given in the manner employees achieve and deliver these objectives. Hence awareness programmes that touch on the SC's culture of integrity and professionalism are key in reminding employees of permitted and prohibited conduct. Among other initiatives, an annual declaration on compliance with the *Code of Conduct* and completion of the Compliance and Ethics programme biennially is made mandatory for all employees. Employees' knowledge and understanding of the governance structure and ethical behaviour within the SC are strengthened with such programmes.

Business Processes and Procedures

- The departments within the SC have developed internal policies and procedures which are fundamental tools for achieving the SC's mandates. These documents establish clear lines of accountability to ensure employees and departments are responsible for their actions and outcomes. Departments are required to review the documents on a timely basis to ensure it remains relevant.

- The establishment of the *Procurement Policy and Guidelines* was aimed at ensuring fairness, transparency and a structured approach to sourcing and acquiring goods and services for the SC. This includes the provision of a procurement strategy offering comprehensive guidance throughout the end-to-end procurement process, along with the enhancement of sound procurement governance and control.

- The *Policy and Guidelines on Asset Management* are in place to ensure that the SC's assets, which are allocated to employees for their duties, are adequately safeguarded and well-maintained. The policy and guidelines set out the conduct for the treatment of assets in the SC.

Information and Knowledge Management

- The *Authorisation for Disclosure of Information Policy* regulates the provision of confidential information to external parties. Any requests for the release of such information will be directed to a committee composed of senior management of the SC for decision.

- The *Records Management Policy* was created to offer guidance on the standards and procedures required to ensure that records can be effectively used as evidence or information by the SC in the course of its business operations or legal responsibilities. Improvements were made to the retention and dissemination processes to provide staff with enhanced access to knowledge and information to support their daily tasks.

Operational Resiliency

- The SC *Code of Conduct* guides the conduct and behaviour expected of all employees and the consequences of breach. It provides clarity to employees on the SC's values and principles which is uphold against standards of good governance and professional conduct.

- The new SC Corporate Scorecard and its alignment across the organisation and all levels provide transparency and line of sight on the corporate strategic objectives, key focus areas and expected deliverables to the employees. The focus on measuring outcome and impact would shape the mindset towards building a sustainable operation.

- The introduction of SC DNA consolidating the core values and leadership competencies provides the foundation for building a cohesive culture which gives focus to stakeholders and talent within. It also emphasises the need to uphold integrity and be innovative while staying prudent by considering the risk impact on the organisation and inculcating the building of resilient leaders.

- The *Job Rotation Policy* established provides upskilling opportunities for the staff and this is in line with the structured development of talent initiatives within the SC.

- IT operations and cyber security undergo continuous assessment, considering evolving technology and cyber security risks. This ongoing process aims to ensure that the SC's infrastructure is effectively protected from threats such as malware, unauthorised access, insider breaches and other disruptions that could impact its operations. In addition to established processes and technologies, ongoing user awareness initiatives are conducted to enhance the SC's resilience against phishing and other social engineering attacks that could potentially bypass security measures.

- This year, the SC has embarked on the 3-year *Technology and Analytics Masterplan* (TAAM) execution. TAAM outlines a series of initiatives aimed at ensuring long-term operational and technological resilience. These initiatives encompass the development of a robust and secure infrastructure, supported by application architectures capable of addressing both current and future needs.

- In the first year of TAAM execution, the SC has prioritised foundational initiatives. These include infrastructure enhancements, modernisation of backup systems, cyber security improvements and the establishment of Central Platform Services for SC applications. These foundational steps will precede the development of identified applications, all of which align closely with the SC's strategic priorities. The SC's focus remains on enhancing supervision, surveillance, investor protection and the institutionalisation of knowledge.

Anti-Corruption Measures

- In line with *National Anti-Corruption Plan* (NACP) requirements, the SC developed the *Organisational Anti-Corruption Plan* (OACP) in 2020. The OACP represents a three-year strategy aimed at bolstering governance, integrity and anti-corruption controls. As the completion of SC's OACP action plans from the previous cycle nears, the SC has developed the OACP for the years 2024 to 2026 which was approved by the SC's Anti-Corruption Committee (JAR – *Jawatankuasa Anti-Rasuah*).

- In coming out with OACP 2024-2026, Corruption Risk Assessment (CRA) workshops were held comprising representatives from all departments within the SC. These workshops identified potential weaknesses and risk factors that could cause corruption or compromise integrity and provided opportunity to identify mitigation plans to enhance good governance.

- Based on the CRA workshop's assessments, selected departments participated in a three-day *Organisational Anti-Corruption Plan* workshop. During these OACP workshops, proposed action plans were discussed and additional initiatives were identified. The forthcoming OACP for 2024-2026 will encapsulate the strategies and initiatives that focus on three priority areas namely Governance, Integrity and Anti-Corruption.

It also complements the SC's effort to develop the capital market with integrity and ensure its employees embrace the Government's aspiration and agenda to uphold good governance and fight corruption.

INTERNAL AUDIT

The SC's Internal Audit Department (IAD) assists the ARC in discharging its duties and responsibilities. IAD reports directly to the ARC, which determines the adequacy of scope and function of the department as set out in the Internal Audit Charter. 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 internal audit plan as approved by the ARC and the *International Standards for the Professional Practice of Internal Auditing* as issued by The Institute of Internal Auditors.

The main activities of IAD for the year 2023 included performing predominantly risk-based audits for the areas identified in the internal audit plan and ad-hoc review of certain functions as requested by Management. The results of the audits and activities performed by IAD were presented to the ARC for its review and deliberation. Where applicable, IAD conducted follow-up enquiries to ensure that Management's corrective actions were implemented appropriately and provided periodic updates on the status or progress of the key actions to the ARC. In addition, IAD played an advisory role in the course of discharging its responsibilities.

IAD had also reviewed the ARC Charter to ensure it remains relevant and had sought the ARC's feedback, which was subsequently approved by the Board in 2023.

EXTERNAL STAKEHOLDER AND PUBLIC COMMUNICATION

SIDREC is a body approved by the SC to handle capital market-related monetary disputes by investors against its members. SIDREC members are CMSL holders or Registered Persons under the CMSA who are authorised to deal in securities, derivatives, PRS and fund management services. This includes banks, brokers, unit trust management companies, fund managers, PRS providers and distributors as well as two development financial institutions.

An independent and impartial body providing effective and affordable access to redress for monetary disputes between investors and market intermediaries is recognised as a fundamental aspect of global best practices. This approach aligns with the SC's commitment to advancing its initiative for investor protection and empowerment.

Under SIDREC's Mandatory Scheme for claims not exceeding RM250,000, SIDREC's members are required to participate in SIDREC's dispute resolution process, with services being free for 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.

SIDREC actively engages with the investing public through awareness initiatives, in addition to its involvement in the dispute resolution process with both SIDREC's members and investors. SIDREC also collaborates with its members, the SC, and various stakeholders including industry associations and self-regulatory organisations with the aim to share constructive insights and address concerns arising from the dispute resolution process, providing valuable feedback to the market, investors, and regulators.

In 2023, SIDREC received 266 claims and enquiries, out of which 49 were eligible disputes (2022: 239 claims and enquiries, of which 72 were eligible disputes). SIDREC continues to adopt a mediative approach towards resolution of cases. In 2023, 73% (40 out of 55) of the resolved cases were resolved through case management and mediation without having to proceed to adjudication.

For the year 2023, SIDREC resumed conducting its in-person mediation sessions and adjudication hearings. However, fully virtual or hybrid sessions and hearings are still conducted as and when required.

ENTERPRISE SUSTAINABILITY

The increasing severity of climate change has prompted a global upsurge in the call for increased efforts to combat this issue. As an organisation, the SC has been taking progressive steps to integrate sustainability into its activities and operations, including measures relating to the optimisation of resources and the reduction of wastage.

To intensify its sustainability efforts, the Sustainability First Initiative (SFI) was established to support the SC in becoming a more sustainable organisation.

The SC commits to be carbon neutral by 2040 and net-zero by 2050, in line with Malaysia's overarching climate aspiration to be a net-zero greenhouse gas emissions (GHG) nation by 2050, at the earliest.

In 2023, the SC, through a dedicated Sustainability First Task Force, developed the SFI Roadmap, which outlines a strategic plan covering ESG pillars, and sets out actions to be adopted or considered by the SC across the horizon until 2050.

Environmental

Following an assessment of its GHG inventory, the SC's GHG emissions were found to be relatively small in comparison with other entities. The SC's Scope 1 emissions are primarily from mobile and stationary combustion sources, while Scope 2 emissions are predominantly from electricity consumption at its main building in Bukit Kiara. Scope 2 emissions represent the main source of the SC's emissions, amounting to approximately 85% of the SC's total emissions.

The SFI Roadmap outlines actions and milestones which will accelerate the SC's sustainable transition to achieve carbon neutrality by 2040 and net-zero by 2050. These include immediate actions such as replacing conventional lighting with LED lighting on a phased basis throughout the SC's premises. This is expected to lead to significant energy savings and reduction to the SC's carbon footprint.

The SC will also install solar panels on the SC building which would serve to reduce its dependency on grid electricity. The immediate benefits include decreased

SC as a more sustainable organisation

Environment
Carbon neutral by 2040 and net-zero by 2050

- Carbon emissions management
- Carbon reduction
- Scenario analysis

Social
Positive social impact on targeted stakeholders

- Employer of choice
- Foster financial literacy
- SC as a responsible corporate citizen

Governance
Oversight and governance on SC's sustainability matters

- Oversight of sustainability matters
- Sustainability reporting

electricity costs and a substantial reduction in GHG emissions. Transitioning the SC's vehicle fleet away from conventional fossil fuel vehicles towards hybrid and electric models will further reduce GHG emissions and serve as a public commitment to sustainable practices.

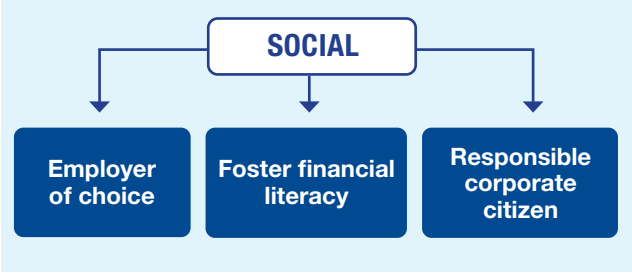
The SC will also introduce waste management processes to track and manage the SC's waste, and conduct an energy audit to assess the efficiency of its existing equipment and systems.

The SC has integrated GHG management within its processes and will continue to monitor its GHG emissions, as well as consider other abatement levers in the medium to long-term to maximise energy efficiency and further reduce its environmental footprint. This may include considering other green energy sources, rainwater harvesting and building-integrated photovoltaics (BiPV), among others.

Social

Social issues and the impact entities have on society and the environment have taken on greater prominence in recent years. While environmental and governance aspects often receive the most attention, the SC is committed towards holistic sustainability, emphasising responsible social practices within the organisation and the capital market.

The SC's SFI social pillar strategy is anchored on the following overarching themes:



In respect of its employees, the SC aims to develop activities that will promote a sustainability culture across the SC, focusing on the health, safety and well-being of staff. This will help foster a positive work environment while attracting and retaining top talent, ultimately contributing to the SC's long-term success as an organisation.

Several carbon conscious initiatives were introduced in 2023 to increase staff awareness on sustainability practices and to encourage greener living. This includes composting workshops, guided eco-walks and upcycling workshops. The SC now has its very own compost heaps, grown and maintained by the SC's gardeners.

Kloth Cares bins have also been placed within the SC's premises to encourage staff to donate pre-loved fabric-based items, including clothing, accessories, footwear, and household textiles.

Additionally, in respect of the underserved, the SC will continue to develop programmes to further foster financial literacy of targeted groups. As a responsible corporate citizen, the SC will also support the community through a blend of philanthropic and non-philanthropic initiatives.

Governance

A robust sustainability governance framework is essential to ensure appropriate accountability, oversight and review of sustainability-related matters within the SC.

To strengthen the governance of sustainability-related matters, the SC had in 2023 established a Board Sustainability Committee (BSC) which is responsible for providing oversight on sustainability and ESG-related strategies and initiatives, as well as oversight on the formulation of the SC's internal policy positions on sustainability and ESG-related matters for the SC as an enterprise. The BSC may also provide oversight on the SC's sustainability and ESG-related strategies and policy positions to regulate and develop the capital market.

At the Senior Management level, the SC has established a Sustainability Steering Committee (SSC) to guide and monitor key sustainability and ESG-related matters for the SC. The SSC is supported by the SC's Enterprise Sustainability Department, which serves as a focal point to drive and support the implementation of sustainability and ESG-related sustainability strategies for the SC, including those identified in the SFI Roadmap.

Climate-Related Risks and Opportunities

The SC has established processes to identify, assess and manage material enterprise climate-related risks and opportunities. As part of the SFI, this includes Scenario Analysis which helps the SC as an organisation navigate uncertainties by considering two plausible scenarios for 2050 – a 2°C and a 4°C scenario, along with the relevant driving forces.

The SC has also assessed the impact and likelihood of the enterprise climate-risks under both plausible scenarios. Relevant outcomes will be incorporated into the SC's strategic planning and risk management practices where appropriate.

OUR PEOPLE

Being recognised as one of the top employers in Malaysia enhances the organisation's brand reputation and attracts the best candidates to join the organisation. The recognition is vital for improving employer branding, attracting impressionable young graduates, retaining top talent, and enhancing public image. The Malaysia's 100 Leading Graduate Employers award is an annual recognition given to the top employers in Malaysia that actively recruit and develop graduates. In 2023, the SC has been given the recognition of placing first runner-up under the sector 'Government Regulatory Bodies' and the SC's ranking had improved significantly by 22 ranks. Receiving the Malaysia's 100 Leading Graduate Employers award is a prestigious recognition of SC's efforts to attract and retain top graduate talent. It enhances the SC's reputation as an employer of choice and allows the SC to showcase its commitment to developing young professionals.

As the SC focuses on transforming into a high-performing organisation, the SC has introduced the first SC Corporate Scorecard in 2023. The adoption of the Corporate Scorecard marks a crucial milestone in the pursuit of continued excellence. The Corporate Scorecard provides a more outcome-based performance management that allows the SC to set clear objectives, measure its progress and enhance overall organisation performance.

The SC employees embody the essence of its culture and core values. Their dedication to maintaining a positive work environment, fostering teamwork, and upholding ethical standards is instrumental in shaping the SC's identity and reputation. The SC DNA, introduced in March 2023 with six dimensions serves as the backbone for the SC's values and forms a powerful foundation in embodying the values of a model regulator and delivering excellence in all aspects of the employees' work.

Job rotation is a proven effective tool in promoting skill enhancement, professional growth, employee engagement, succession planning, knowledge-sharing, and talent retention within an organisation. Hence,the SC has revised its job rotation policy, which not only aims at strengthening its talent development and management initiatives, but it also aligns with the SC's commitment to uphold integrity and transparency in its operations. This is apparent when the SC had implemented mandatory job rotation particularly for employees occupying high-risk functions and/or holding sensitive roles for a specified number of years in the SC.

Recruitment, Talent Management and Development

In 2023, the SC continued its recruitment initiatives, primarily on a needs and replacement basis. This was important to ensure the continuity of an inflow of high-skilled talents into the organisation.

The SC hired a total of 89 candidates, of whom 84 were experienced hires and five Graduate Management Executives (including three returning scholars). In addition, career progression opportunities were given to deserving employees, where 81 promotions were affected across the SC. This proves to be the testament of the SC in recognising and rewarding strong performers.

The SC also continued to provide opportunities for young graduates to gain knowledge and work experience in a regulatory environment; 33 undergraduate students from both local and foreign universities had completed their internships during the year. In addition, 13 trainees from polytechnics and vocational colleges were given practical training opportunities in the SC's Facilities Management and Services department. Pursuant to the collaboration with Khazanah Nasional Bhd in 2022, the SC hosted one trainee under the Malaysia Short-Term Employment Programme (MySTEP), an initiative to enhance the employability of young graduates.

In continuing talent development efforts, 12 employees underwent secondment or attachment programmes, namely to the Ministry of Finance, MITI, Credit Consumer Oversight Board, Islamic Financial Services Board, Malaysia Interntional Islamic Financial Centre, ICMR, CMM and the World Bank. Out of the 12, five were new secondments and this marked a significant increase in the number of secondees from the SC to other

organisations. These opportunities enabled them to gain greater learning, broaden work experience, expand networking opportunities, and inculcate knowledge-sharing.

Realising that there is a need to create greater awareness of the wide range of career opportunities available in the capital markets, the SC spearheaded a talent inculcation programme called *investED*. *investED* is a large-scale, multi-faceted three-year capacity-building programme that aims to enhance the capital market knowledge of students, creating job opportunities for graduates, enhancing the leadership skills among graduates, and offering them job placement opportunities. A total of 171 trainees were recruited for the first cohort and they commenced their classroom learning session at the Asia School of Business for a month and thereafter were successfully placed in designated participating organisations. A total of 49 organisations within the capital market fraternity participated in the placement exercise.

Participating in learning and development interventions provides the opportunity for employees to acquire new skills and enhance existing ones. In today's fast-paced and ever-changing business environment, it is crucial to stay abreast with new technologies, trends, and best practices so they can stay ahead of the curve. Participation of the SC employees in learning and development interventions recorded an increase from 93% in 2022 to 99.8% in 2023. This reflects the organisation's commitment to its employees' professional growth and development.

Cyber security awareness is a critical aspect of leading in the digital era, as reliance on technology creates a potential risk to cyber threats. Cyber security awareness helps employees understand the potential risks and threats from cyber attacks, safeguards sensitive information and protects organisational reputation. The SC takes cyber security seriously and believe that the responsibility for safeguarding digital assets lies with every employee within the organisation. In line with the SC's ongoing efforts to strengthen its cyber defenses and protect valuable data, the SC rolled out a Cyber Security Awareness Programme, which is mandatory for all employees to participate. It is with great hope that implementing regular training and awareness programmes on the subject matter can significantly improve the SC's overall security posture.

Digital technology is constantly evolving, as such digital -related learning programme equips employees with the necessary skills and knowledge to leverage technology effectively and become proficient in using digital tools and platforms. As part of the SC's strategy to enhance employees' digital forensic capabilities and to better handle digital evidence during an investigation, an e-discovery solution will be adopted to process, identify, review, and analyse digital evidence. Six employees have gone through a certification programme which was intended to enhance their expertise in digital investigation.

GENDER AND DIVERSITY

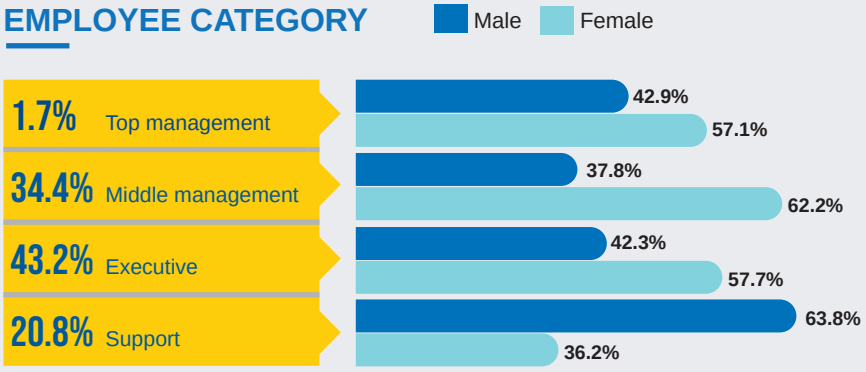
HEADCOUNT
838 (As at 31 December 2023)

GENDER

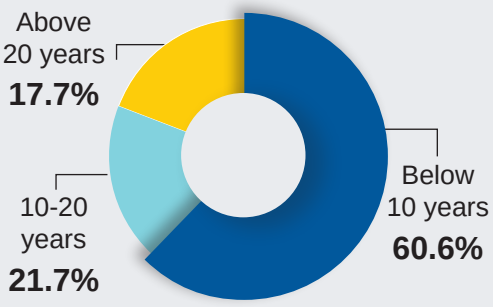
MALE 45.2%

FEMALE 54.8%

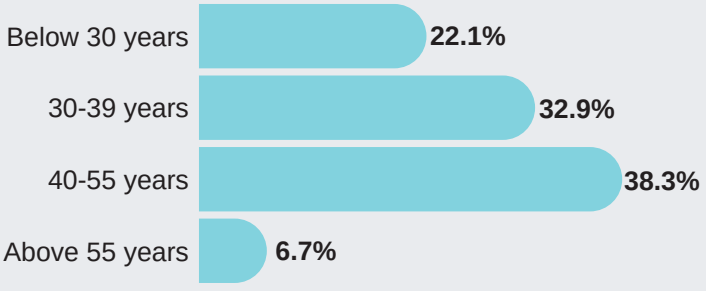
EMPLOYEE CATEGORY



YEARS OF EXPERIENCE



EMPLOYEE AGE GROUP



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	4	141,568	135,375
Intangible assets	5	18,938	9,295
Right-of-use assets	6	6,838	6,567
Deferred tax asset	7	-	10,057
Other receivables	8	1,814	2,448
Other investments	9	202,219	55,030
		371,377	218,772
CURRENT ASSETS			
Other investments	9	423,403	803,926
Tax recoverable	21	11,943	-
Trade and other receivables	10	35,384	27,842
Cash and cash equivalents	11	381,133	175,765
		851,863	1,007,533
TOTAL ASSETS		1,223,240	1,226,305
RESERVES			
Compensation fund reserve	12	100,000	100,000
Accumulated surplus		780,080	887,941
TOTAL RESERVES		880,080	987,941
NON-CURRENT LIABILITIES			
Post-employment benefits	13	233,455	186,950
Lease liabilities	14	6,186	-
		239,641	186,950
CURRENT LIABILITIES			
Tax payable	21	-	615
Lease liabilities	14	3,117	-
Other payables and accruals	15	95,265	47,939
Contract liabilities	16	5,137	2,860
		103,519	51,414
Total liabilities		343,160	238,364
Total reserves and liabilities		1,223,240	1,226,305

The notes on pages 181 to 209 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000
INCOME			
Levies		144,342	138,172
Fees and charges		16,576	19,801
License fees		3,215	2,008
Registration fees		3,144	3,104
Finance income		36,744	26,646
Other income		5,885	36,426
	17	209,906	226,157
Less: EXPENDITURE			
Staff costs	18	209,664	191,227
Administrative expenses		41,879	34,364
Depreciation of property, plant and equipment	4	10,186	8,400
Amortisation of intangible assets	5	3,530	3,201
Depreciation of right-of-use assets	6	457	92
Rental expense		371	525
Finance cost on lease liabilities		274	-
		266,361	237,809
NET OPERATING DEFICIT		(56,455)	(11,652)
Less: Funds to affiliates	19	(10,500)	(9,020)
Deficit before tax for the year	20	(66,955)	(20,672)
Taxation	21	(4,340)	(4,632)
Deficit after tax for the year		(71,295)	(25,304)
Other comprehensive (loss)/gain:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	22	(36,566)	6,969
Total comprehensive loss for the year		(107,861)	(18,335)

The notes on pages 181 to 209 are an integral part of these financial statements.

STATEMENT OF CHANGES IN RESERVES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Compensation fund reserve RM'000	Accumulated surplus RM'000	Total RM'000
At 1 January 2022	100,000	906,276	1,006,276
Deficit for the year	-	(25,304)	(25,304)
Remeasurement of defined benefit liability	-	6,969	6,969
Deficit and total comprehensive loss for the year	-	(18,335)	(18,335)
At 31 December 2022/1 January 2023	100,000	887,941	987,941
Deficit for the year	-	(71,295)	(71,295)
Remeasurement of defined benefit liability	-	(36,566)	(36,566)
Deficit and total comprehensive loss for the year	-	(107,861)	(107,861)
At 31 December 2023	100,000	780,080	880,080
	Note 12		

The notes on pages 181 to 209 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit before tax		(66,955)	(20,672)
Adjustments for:			
Depreciation of property, plant and equipment	4	10,186	8,400
Amortisation of intangible assets	5	3,530	3,201
Depreciation of right-of-use assets	6	457	92
Gain on disposals of property, plant and equipment	4	(23)	-
Loss on property, plant and equipment written off	4	3	-
Net fair value gain on financial asset at fair value through profit or loss (FVTPL)		(1,325)	-
Finance income		(36,744)	(26,646)
Finance cost on lease liabilities		274	-
Current service cost and interest expense on post-employment benefits	13	14,443	13,768
OPERATING DEFICIT BEFORE WORKING CAPITAL CHANGES		(76,154)	(21,857)
Changes in working capital:			
Trade and other receivables		(1,825)	(377)
Other payables and accruals		49,602	(39,923)
CASH USED IN OPERATION		(28,377)	(62,157)
Tax paid		(6,841)	(5,102)
Benefit payout from post-employment benefits	13	(4,504)	(3,159)
NET CASH USED IN OPERATING ACTIVITIES		(39,722)	(70,418)
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity of investments in Government Guaranteed Bonds		10,000	10,212
Acquisition of quoted unit trusts		(150,000)	-
Placement of fixed deposits		(335,600)	(83,971)
Receipt of fixed deposits upon maturity		711,159	219,602
Finance income received		30,762	26,575
Proceeds from disposal of plant and equipment		42	6
Acquisition of property, plant and equipment*	4	(6,801)	(6,135)
Acquisition of intangible assets	5	(11,906)	(3,240)
NET CASH FROM INVESTING ACTIVITIES		247,656	163,049

The notes on pages 181 to 209 are an integral part of these financial statements.

	Note	2023 RM'000	2022 RM'000
CASH FLOWS FROM FINANCING ACTIVITY			
Repayment of lease liabilities**	14	(2,566)	-
NET CASH USED IN FINANCING ACTIVITY		(2,566)	-
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		205,368	92,631
CASH AND CASH EQUIVALENTS AT 1 JANUARY		175,765	83,134
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		381,133	175,765

* Reconciliation of cash payment for acquisition of property plant and equipment to the addition of property plant and equipment during the year.

	2023 RM'000
Net cash payment for purchase of property, plant and equipment	6,801
Add:	
Acquisition of computer hardware under finance lease	10,867
Additions for the financial year	17,668
	Note 4

** Reconciliation of liabilities arising from financing activities.

	2023 RM'000
At 1 January 2023	-
Non-cash changes	
Addition of lease	11,595
Finance cost on lease liabilities	274
Cash flows from financing activity	
Repayment of lease liabilities	(2,566)
At 31 December 2023	9,303
	Note 14

The notes on pages 181 to 209 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

The Securities Commission Malaysia (SC) is a statutory body established under the *Securities Commission Malaysia Act 1993* (SCMA) for the regulation and development of capital markets. The SC has direct responsibility for supervising and monitoring the activities of market institutions including the exchanges and clearing houses and regulating all persons licensed under the *Capital Markets and Services Act 2007* (CMSA). The address of the SC is at:

3, Persiaran Bukit Kiara,
Bukit Kiara,
50490 Kuala Lumpur, Malaysia.

These financial statements were authorised for issue by the Board Members on 30 January 2024.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the SC have been prepared in accordance with the *Malaysian Financial Reporting Standards* (MFRS), and *International Financial Reporting Standards* (IFRS).

(i) Amendments to published standards that are effective

The SC has applied the following amendments to published standards and annual improvements for the first time for the financial year beginning on 1 January 2023.

- MFRS 17 'Insurance Contracts' and its amendments
- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'
- Amendments to MFRS 101 and MFRS Practice Statement 2 'Disclosure of Accounting Policies'
- Amendments to MFRS 112 'International Tax Reform – Pillar Two Model Rules'
- Amendments to MFRS 108 'Definition of Accounting Estimates'

(ii) Amendments to published standards that have been issued but not yet effective

New amendments to published standards and annual improvements that are effective for financial year beginning after 1 January 2024 are set out below:

- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024)
- Two amendments to MFRS 101 'Presentation of Financial Statements'
  - The first amendments, 'Classification of liabilities as current or non-current'
  - The second amendments, 'Non-current Liabilities with Covenants'
- Amendments to MFRS 107 and MFRS 7 'Supplier finance arrangements' (effective 1 January 2024)
- Amendments to MFRS 121 'Lack & Exchangebility' (effective 1 January 2025)

These amendments to published standards and annual improvements will be adopted on the respective effective dates. The SC has started a preliminary assessment on the effects of the above amendments to published standards and annual improvements and the impact is still being assessed.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the SC's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:

(i) Post-employment benefits

For the annual actuarial valuation, the provision is determined using actuarial valuation prepared by an independent actuary. The actuarial valuation involved making assumptions about discount rate, medical inflation rate and life expectancy. As such, the estimated provision amount is subject to significant uncertainty. The assumptions used to estimate the provision are as disclosed in Note 13.

(ii) Deferred tax asset recognition

During the financial year, the SC was granted a 5-year tax exemption from Year Assessment (YA) 2022 until YA 2026. Accordingly, the utilisation of the unabsorbed capital allowance and unutilised tax losses against SC's business income are not certain. In this connection, the deferred tax asset is derecognised in financial year 2023.

(iii) Capitalising of expenditure in technology related assets

The SC has undertaken the technology transformation plan which involves the purchase of computer hardware, software and developing applications. The development costs that were directly attributable to bringing the asset to its intended use is capitalised whereas the expenses incurred during the research stage were expensed off accordingly.

(iv) Estimated useful lives of identified assets

In view of the phased implementation of the technology transformation plan, the estimated useful lives of the newly acquired computer hardware and system are estimated at 5 years as disclosed in Note 3(b)(iii).

3. MATERIAL ACCOUNTING POLICIES

The SC adopted amendments to MFRS 101, Presentation of Financial Statements and – Disclosure of Accounting Policies from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the SC, unless otherwise stated.

(a) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the SC becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the SC changes its business model for managing financial assets and the contractual term of the cash flows in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model. SC classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through profit or loss (FVTPL).

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding (SPPI). Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Finance income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Finance income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(f)(i)) where the effective interest rate is applied to the amortised cost.

Fair value through profit or loss (FVTPL)

Financial assets that do not satisfy the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at FVTPL.

Changes on fair value of investments in fixed income securities that are subsequently measured at FVTPL are recognised in the statement of profit or loss and other comprehensive income in the period in which they arise.

Subsequent measurement

Financial assets designated at FVTPL are remeasured at each reporting date. The fair values are determined by reference to observable market prices provided by independent pricing sources.

Expected Credit Loss

The SC assesses credit risk on financial instruments measured at FVTPL. Credit risk represents the risk of financial loss arising from the counterparty's failure to meet its contractual obligations.

For financial instruments subject to credit risk, the SC estimates expected credit losses by considering historical credit loss experience, current market conditions, and forward-looking information. The estimation is performed on a collective or individual basis, depending on the characteristics of the financial instrument.

Expected credit losses are recognised as a component of the carrying amount of the financial instruments. The assessment is based on the present value of all cash shortfalls over the expected life of the instrument, considering the probability-weighted outcomes of different scenarios as disclosed in Note 3(f)(i).

Financial liabilities

Amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Finance cost is recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or are transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the SC currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts, if any, of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within 'other income' or 'other expenses' respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the SC and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current year are as follows:

	2023
Buildings	50 years
Office equipment, furniture and fittings	5-10 years
Motor vehicles	5 years
Computer and application systems	3-5 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

(c) Intangible assets

(i) Computer software

Computer software is initially measured at cost. Costs recognised are costs (including staff costs) directly associated with identifiable software controlled by the SC that will generate probable future economic benefits. Following initial recognition, computer software is measured at cost

less accumulated amortisation and accumulated impairment losses. Included in the computer software costs are the costs related to the technology transformation plan undertaken by the SC. The expenses incurred during the research stage were expensed off accordingly.

The useful lives of computer software are assessed to be finite. Computer software is amortised over their estimated useful lives of three years and assessed for impairment whenever there is an indication that they may be impaired.

The amortisation periods and methods are reviewed at least at each financial year end. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation periods or methods, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on computer software with finite lives is recognised in profit or loss. Projects-in-progress are not amortised as these computer softwares are not yet available for use.

Gains or losses arising from derecognition of computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(d) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the SC assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- As a lessee, it has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- As a lessee, it has the right to direct the use of the asset. The SC has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the SC has the right to direct the use of the asset if either the SC has the right to operate the asset; or the SC designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the SC allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the SC is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

<u>As a lessee</u>

The SC recognises a right-of-use asset and a lease liability at the commencement date of the contracts for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The SC has classified leasehold land, office premise and computers equipment, which in substance were a finance lease as right-of-use assets.

The SC has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The SC recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment and intangible asset. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

If the lease transfers ownership of the underlying asset to SC by the end of the lease term or if the cost of the right-of-use asset reflects that the SC will exercise a purchase option, the SC depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the SC depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the SC's incremental borrowing rate. Subsequent to the initial recognition, the SC measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with licensed banks which have an insignificant risk of changes in fair value with original maturities of three months or less and are used by the SC in the management of their short term commitments.

Included in deposits with licensed banks are reserved deposits amounts held on behalf of stockbroking industry development, brokers' security deposits and government agencies or funds.

(f) Impairment

(i) Financial assets

The SC recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The SC measures loss allowances at an amount equal to lifetime expected credit loss, except for fixed income securities that are determined to have low credit risk at the reporting date, cash and cash equivalents for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the SC considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the SC's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the SC is exposed to credit risk.

The SC estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the SC assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the SC determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the SC's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

(g) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring services to a customer, excluding amounts collected on behalf of third party. The SC recognises income when (or as) it transfers control over a service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The SC transfers control of services at a point in time unless one of the following over-time criteria is met:

(a) The customer simultaneously receives and consumes the benefits provided as the SC performs;

(b) The SC's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) The SC's performance does not create an asset with an alternative use and the SC has an enforceable right to payment for performance completed to date.

(i) Levies

Levies as a percentage of the consideration for every purchase and sale of securities recorded on Bursa Malaysia Securities Bhd (Bursa Malaysia) in respect of different classes of securities as specified in Section 24 of the SCMA and the *Securities Commission (Levy on Securities Transactions) (Amendment) Order 2009*.

The SC recognises levies from Bursa Malaysia as income at point in time on an accrual basis.

(ii) Fees and charges

The SC records fees and charges as income over time when the services are performed. The SC records the fees and charges received in advance as a contract liability.

(iii) License fees

License fees are recognised as income as the services are performed over time. The SC records the license fees received in advance as a contract liability.

(iv) Registration fees

Registration fees are recognised at a point in time upon registration of auditors.

(h) Finance income

Finance income is recognised as it accrues using the effective interest method in profit or loss. It comprises:

(a) Interest earned on bank deposits and fixed income securities; and

(b) The amortisation of premiums or discounts on purchases of fixed income measured at amortised cost.

For net gain/ loss on financial assets at FVTPL, the change in fair value or disposal of the financial assets are recognised in profit or loss as they arise.

(i) Other Income

Included in other income are, among others:

(i) Penalty income on auditors for failing to comply any provisions or condition imposed under Part IIIA – Audit Oversight Board of the SCMA. Penalty income is recognised at a point in time pursuant to Section 31Z of SCMA. The penalty amount is restricted and shall be utilised for planning and implementing capacity-building programmes in relation to the accounting and auditing profession.

(ii) Recovery of investigation and proceeding costs that is recognised at a point in time. According to Section 200 and 201 of the CMSA, the SC can recover an amount from person who has contravened Section 175, 176, 177, 178, 179 and 181 as well as 188 of the CMSA where any amount recovered by the SC can be firstly reimburse to the SC for all costs of the investigation and proceedings in respect of the contravention.

(iii) Residual sum that is recognised at a point in time where Section 200 and 201 of the CMSA states that to the extent that any amount obtained has not been distributed to persons who have suffered loss or damage as a result of the contravention, such sum shall either be paid to the Capital Market Compensation Fund or retained by the SC to defray the cost of developing and facilitating educational programmes for capital market investors and professionals or the cost of regulating the capital market, with the approval of the Finance Minister.

(j) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave, contribution to social security contributions (SOCSO), Employees Provident Fund (EPF) or Private Retirement Scheme (PRS) are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid if the SC has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined benefit plans

Post-employment benefits

The SC provides post-employment medical coverage to eligible employees engaged prior to 1 January 2003.

The SC's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligations is performed by an independent qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the SC, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The SC determines the net finance cost or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Costs and expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The SC recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(k) Deferred taxes

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity.

Deferred tax assets and liabilities are offset when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(l) Funds to affiliates

The SC provides funds to eligible affiliates to undertake capital market activities. These funds are recognised in profit or loss when payments have been made.

(m) Provisions

Provisions are recognised when the SC has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation and reflects the present value of expenditures required to settle the obligation where the time value of money is material.

(n) Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the SC uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the SC can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The SC recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. PROPERTY, PLANT AND EQUIPMENT

	Buildings RM'000	Office equipment, furniture and fittings RM'000	Computer hardware RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
Cost						
At 1 January 2022	232,162	120,511	46,765	1,753	1,267	402,458
Additions	-	434	1,159	-	4,542	6,135
Disposals	-	(17)	(40)	-	-	(57)
Transfer to/(from)	-	4,542	-	-	(4,542)	-
At 31 December 2022/1 January 2023	232,162	125,470	47,884	1,753	1,267	408,536
Additions	-	374	11,535	231	5,528	17,668
Disposals	-	(984)	(75)	(190)	-	(1,249)
Write off	-	(19,112)	(39,472)	(2)	-	(58,586)
Reclassification to intangible assets	-	-	-	-	(1,267)	(1,267)
Transfer to/(from)	-	4,864	528	-	(5,392)	-
At 31 December 2023	232,162	110,612	20,400	1,792	136	365,102
Less: Accumulated depreciation						
At 1 January 2022						
Accumulated depreciation	104,569	113,057	45,366	1,711	-	264,703
Accumulated impairment loss	109	-	-	-	-	109
	104,678	113,057	45,366	1,711	-	264,812
Depreciation for the year	4,643	2,613	1,118	26	-	8,400
Disposals	-	(12)	(39)	-	-	(51)
At 31 December 2022/1 January 2023						
Accumulated depreciation	109,212	115,658	46,445	1,737	-	273,052
Accumulated impairment loss	109	-	-	-	-	109
	109,321	115,658	46,445	1,737	-	273,161
Depreciation for the year	4,643	3,197	2,325	21	-	10,186
Disposals	-	(977)	(63)	(190)	-	(1,230)
Write off	-	(19,110)	(39,471)	(2)	-	(58,583)
At 31 December 2023						
Accumulated depreciation	113,855	98,768	9,236	1,566	-	223,425
Accumulated impairment loss	109	-	-	-	-	109
	113,964	98,768	9,236	1,566	-	223,534
Carrying amounts						
At 1 January 2022	127,484	7,454	1,399	42	1,267	137,646
At 31 December 2022/1 January 2023	122,841	9,812	1,439	16	1,267	135,375
At 31 December 2023	118,198	11,844	11,164	226	136	141,568

Impairment assessment has been performed as disclosed in Note 26.

5. INTANGIBLE ASSETS

	Computer Softwares RM'000	Capital work-in progress RM'000	Total RM'000
Cost			
At 1 January 2022	42,053	3,072	45,125
Additions	109	3,131	3,240
Transfer to/(from)	2,978	(2,978)	-
At 31 December 2022/1 January 2023	45,140	3,225	48,365
Additions	67	11,839	11,906
Write off	(19,181)	-	(19,181)
Transfer to/(from)	6,038	(6,038)	-
Reclassification from property, plant and equipment	-	1,267	1,267
At 31 December 2023	32,064	10,293	42,357
Less: Accumulated amortisation			
At 1 January 2022	35,869	-	35,869
Amortisation for the year	3,201	-	3,201
At 31 December 2022/1 January 2023	39,070	-	39,070
Amortisation for the year	3,530	-	3,530
Write off	(19,181)	-	(19,181)
At 31 December 2023	23,419	-	23,419
Carrying amounts			
At 1 January 2022	6,184	3,072	9,256
At 31 December 2022/1 January 2023	6,070	3,225	9,295
At 31 December 2023	8,645	10,293	18,938

Impairment assessment has been performed as disclosed in Note 26.

6. RIGHT-OF-USE ASSETS

	Leasehold land RM'000	Building RM'000	Computer hardware RM'000	Total RM'000
Cost				
At 1 January 2022	9,154	-	-	9,154
At 31 December 2022/1 January 2023	9,154	-	-	9,154
Additions	-	179	549	728
At 31 December 2023	9,154	179	549	9,882
Less: Accumulated depreciation				
At 1 January 2022	2,495	-	-	2,495
Depreciation	92	-	-	92
At 31 December 2022/1 January 2023	2,587	-	-	2,587
Depreciation	92	90	275	457
At 31 December 2023	2,679	90	275	3,044
Carrying amounts				
At 31 December 2022/1 January 2023	6,567	-	-	6,567
At 31 December 2023	6,475	89	274	6,838

The SC leases two leasehold land for 99 years which expire in 2094 and 2096, respectively.

Impairment assessment has been performed as disclosed in Note 26.

7. DEFERRED TAX ASSET

During the financial year, the SC was granted a 5-year tax exemption from Year Assessment (YA) 2022 until YA 2026. Accordingly, the utilisation of the unabsorbed capital allowance and unutilised tax losses against SC's business income is not probable. As the consequence, the deferred tax asset is derecognised in financial year 2023.

	2023 RM'000	2022 RM'000
Deferred tax assets	-	10,057
At 1 January	10,057	8,972
Recognised in statement of comprehensive income (Note 21)		
- property, plant and equipment	(8,481)	2,163
- tax losses	-	(2,654)
- provisions	(1,576)	1,576
	-	1,085
At 31 December	-	10,057

	2023 RM'000	2022 RM'000
Subject to income tax:		
Deferred tax assets		
- property, plant and equipment	-	8,481
- tax losses	-	-
- provisions	-	1,576
	-	10,057

The amounts of unabsorbed capital allowance and unutilised tax losses for which no deferred tax asset is recognised in the statement of financial position are as follows:

	2023 RM'000	2022 RM'000
Unabsorbed capital allowance	26,324	-
Unutilised tax losses	11,060	11,060
	37,384	11,060
Deferred tax assets not recognised at 24% (2022:24%)	8,972	2,654

The unutilised tax losses of RM11.1 million (2022: RM11.1 million) will expire in the following year:

Financial year	2023 RM'000	2022 RM'000
2028	11,060	11,060

8. OTHER RECEIVABLES

	2023 RM'000	2022 RM'000
Staff financing	2,765	3,513
Less: Unearned profit		
– Islamic financing on housing and motor vehicles	(71)	(111)
	2,694	3,402
Less: Amount due within 12 months (Note 10)	(880)	(954)
Amount due after 12 months	1,814	2,448

The rates and tenure of staff financing are as follows:

	Rate charged (per annum)	Maximum repayable period
Islamic financing and conventional housing loans	2%	25 years
Islamic financing and conventional motor vehicle loans	4%	7 years
Study loans	-	5 years
Computer loans	-	4 years

The Islamic and conventional housing and motor vehicle financing are secured over the properties and motor vehicles of the borrowers, respectively. The SC considers probability of default as remote since both financing is supported by collateral, as described in Note 25.3(c).

The maturity structure of the financing to staff as at the end of the financial year is as follows:

	2023 RM'000	2022 RM'000
Within 1 year	880	954
More than 1 year and up to 5 years	1,470	1,878
More than 5 years	344	570
	2,694	3,402

9. OTHER INVESTMENTS

	Non-current		Current		Total	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Fair value through profit or loss						
– Investment in quoted unit trust	152,291	-	-	-	152,291	-
Amortised costs:						
– Government Investment Issues and Government Guaranteed Bonds	49,928	55,030	5,036	10,000	54,964	65,030
– Deposits placed with licensed banks	-	-	418,367	793,926	418,367	793,926
	202,219	55,030	423,403	803,926	625,622	858,956

During the year, the SC invested in quoted unit trust amounting to RM150.0 million which are medium-term and long-term in nature.

Included in deposits placed with licensed banks is an amount reserved for planning and implementing capacity-building programmes in relation to the accounting and auditing profession of RM3.1 million (2022: RM2.9 million).

Government Investment Issues and Government Guaranteed Bonds will mature in 2024 and 2038. The weighted average yield to maturity of Government Investment Issues and Government Guaranteed Bonds was 4.44% per annum (2022: 3.69% per annum).

Deposits placed with licensed banks have maturity period of 6 months and 15 months (2022: 6 months and 15 months) and earned income at rates ranging from 3.85% to 4.3% per annum (2022: 2.35% to 3.80% per annum).

10. TRADE AND OTHER RECEIVABLES

	2023 RM'000	2022 RM'000
Levies receivable	14,849	13,430
Finance income receivable	14,186	8,863
Other receivables	795	1,652
Deposit	1,117	145
Prepayments	3,557	2,798
Short-term staff financing (Note 8)	880	954
	35,384	27,842

11. CASH AND CASH EQUIVALENTS

	2023 RM'000	2022 RM'000
Cash and bank balances	329,637	21,006
Deposits placed with licensed banks	51,496	154,759
	381,133	175,765

Deposits placed with licensed banks have maturity period of 1 month and 3 months (2022: 1 month and 3 months) and earned income at rates ranging from 3.80% to 4.00% per annum (2022: 2.45% to 3.20% per annum).

Included in deposits placed with licensed banks are amounts reserved for stockbroking industry development of RM15.6 million (2022: RM15.2 million), amounts reserved for brokers' security deposits of RM0.2 million (2022: RM0.2 million) and funds held in trust of approximately RM35.6 million (2022: RM28.5 million).

The bank balances are placed with licensed banks.

12. COMPENSATION FUND RESERVE

This represents an amount allocated from the accumulated surplus for the Capital Market Compensation Fund Corporation.

13. POST-EMPLOYMENT BENEFITS

The defined benefit plan is an unfunded post-employment medical plan, which provides medical benefits for participants and their eligible dependents after retirement age until the death of the participant or spouse, or for child dependents up to age 18 or age 24, if they are still studying.

As such, the ultimate cost of the plan depends on the longevity of the retirees and their eligible dependents, the incidence and cost of events resulting in claims under the plan, and the inflation of such costs in the future.

Funding

The plan is unfunded. Employer contributions to the plan refer to the medical claim amounts paid directly by the SC. The SC expects to pay approximately RM2.23 million in contributions to its defined benefit plan in 2024.

Movement in net defined benefit liability

	2023 RM'000	2022 RM'000
Net defined benefit liability at 1 January	186,950	183,310
Included in profit or loss		
Current service cost	3,690	4,315
Interest expense	10,753	9,453
	14,443	13,768
Others		
Benefits paid	(4,504)	(3,159)
Remeasurement of defined benefit liability	36,566	(6,969)
Net defined benefit liability at 31 December	233,455	186,950

Defined benefit obligation actuarial assumptions

Principal actuarial assumptions at the end of reporting period (expressed as weighted averages):

	2023	2022
Discount rate	5.1%	5.8%
Medical cost inflation	10%, reducing to 6% in 4 years	10%, reducing to 6% in 4 years
Normal retirement age	60 years	60 years

Assumptions regarding future mortality are based on published statistics and mortality tables.

At 31 December 2023, the weighted-average duration of the defined benefit obligation was 17 years (2022: 19 years).

Sensitivity analysis

The sensitivity analysis is based on a change in a significant assumption while holding all other assumptions constant. The sensitivities have been assessed by:

	Defined benefit obligation	
	Increase RM'000	Decrease RM'000
2023		
Discount rate (1% movement)	(36,886)	47,158
Medical cost inflation rate (1% movement)	44,823	(35,952)
2022		
Discount rate (1% movement)	(29,351)	37,390
Medical cost inflation rate (1% movement)	35,521	(28,603)

14. LEASE LIABILITIES

	2023 RM'000	2022 RM'000
Non-current		
Lease liabilities	6,186	-
Current		
Lease liabilities	3,117	-
	9,303	-

15. OTHER PAYABLES AND ACCRUALS

	2023 RM'000	2022 RM'000
Funds held in trust	47,641	29,011
Regulatory settlements	14,955	10,730
Deposits received		
– License fees	1,203	504
– Registration fee	608	336
– Others	6	33
Accruals	27,419	5,463
Other payables	3,433	1,862
	95,265	47,939

16. CONTRACT LIABILITIES

	2023 RM'000	2022 RM'000
Fees and charges	3,625	1,336
License fees	1,512	1,524
	5,137	2,860

The fees and charges are in relation to fees and charges received in advance for proposals submitted to the SC and will be recognised as income when the performance obligation is satisfied over time.

The license fees are in relations to license fees that are paid to the SC annually in advance by the license holders and will be recognised as income over time upon the respective license holders' anniversary date.

17. INCOME

	Note	2023 RM'000	2022 RM'000
Revenue	17.1	167,277	163,085
Finance income			
– fixed deposit		33,262	24,153
– bond		2,517	2,493
– quoted unit trust		965	-
		36,744	26,646
Other income	17.2	5,885	36,426
Total income		209,906	226,157

17.1 Nature of revenue

The following information reflects the transactions of the SC:

Nature of services	Significant payment term	Timing of recognition or method used to recognise revenue
Levies	30 days	Revenue is derived from Malaysia and recognised at a point in time.
Fees and charges	Not applicable	Revenue is derived from Malaysia and recognised over time.
License fees	Not applicable	Revenue is derived from Malaysia and recognised over time.
Registration fees	Not applicable	Revenue is derived from Malaysia and recognised at a point in time.

17.2 The nature of other income are as follows:

Nature of services	Significant payment term	Timing of recognition or method used to recognise income
Penalty income	Not applicable	Income is derived from Malaysia and recognised at a point in time.
Recovery of investigation and proceeding costs	Not applicable	Income is derived from Malaysia and recognised at a point in time.
Residual sum	Not applicable	Income is derived from Malaysia and recognised at a point in time.
Net fair value gain and loss on financial asset at FVTPL	Not applicable	Gain or loss from a change on fair value of financial asset

17.3 The table below provides information about contract liabilities from contracts with customers:

	Note	2023 RM'000	2022 RM'000
Contract liabilities	16	5,137	2,860
Income recognised during the financial year that was included in the contract liabilities balance at the beginning of the period		2,860	-

18. STAFF COSTS

	2023 RM'000	2022 RM'000
Remuneration, bonus, staff medical, staff training and overtime	169,156	153,138
Defined contribution plan	21,321	20,389
Other employees benefits	4,744	3,932
Post-employment benefits	14,443	13,768
	209,664	191,227

19. FUNDS TO AFFILIATES

The SC provides funds to various entities involved in projects and programmes that develop, promote and enhance the well-being of the Malaysian capital market. Four of the entities are related parties to the SC as disclosed in Note 23.

20. DEFICIT BEFORE TAX

	Note	2023 RM'000	2022 RM'000
Deficit before tax is arrived at after charging/ (crediting):			
Auditors' remuneration		163	134
Executive members' emoluments		3,198	5,486
Non-executive members' allowance		955	1,162
Rental expense:			
Property		-	291
Plant and equipment		371	234
Depreciation of property, plant and equipment	4	10,186	8,400
Gain on disposals of property, plant and equipment	4	(23)	-
Loss on property, plant and equipment written off	4	3	-
Net fair value gain on financial assets at FVTPL		(1,325)	-
Amortisation of intangible assets	5	3,530	3,201
Depreciation of right-of-use assets	6	457	92
Finance cost on lease liabilities		274	-
Repair and maintenance		11,903	9,433
Communication and online resources		4,021	3,547

21. TAXATION

During FY2023, the SC was granted tax exemption status by the MOF for YA 2022 until YA 2026.

	2023 RM'000	2022 RM'000
Current tax expense:		
– current financial year	-	(5,717)
– overprovision of taxation in prior year	5,717	-
Deferred taxation (Note 7)	(10,057)	1,085
	(4,340)	(4,632)

The explanation and the relationship between taxation and deficit before tax is as follows:

	2023 RM'000	2022 RM'000
Deficit before tax	(66,955)	(20,672)
Tax calculated at the Malaysian tax rate of 0% (2022: 24%)	-	4,961
Tax effects of:		
– expenses not deductible for tax purposes	-	(7,785)
– income not subject to tax	-	16
– recognition of previously unrecognised deferred tax assets	-	830
– reversal of deferred tax assets on unutilised tax losses	-	(2,654)
– derecognition deferred tax assets	(10,057)	-
– overprovision of taxation in prior year	5,717	-
Taxation	(4,340)	(4,632)

22. OTHER COMPREHENSIVE GAIN/(LOSS)

	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
2023			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	(36,566)	-	(36,566)
2022			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	6,969	-	6,969

23. RELATED PARTIES

Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the SC if the SC has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the SC and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the SC either directly or indirectly. The remuneration of the key management personnel is disclosed in Note 20 under the heading of 'Executive members' emoluments'.

23.1 The SC has related party relationship with Securities Industry Development Corporation (SIDC), as the Chairman of the SC is also the Chairperson of SIDC, and one of the SIDC Board Members is also a member of the Senior Management in the SC.

Significant related party transactions

The significant related party transactions with SIDC is shown below:

	2023 RM'000	2022 RM'000
Funding to SIDC	4,100	4,000

23.2 The SC has a related party relationship with the Capital Market Compensation Fund Corporation (CMC) as CMC was established under the CMSA, the SC may provide monies to the CMC as stated in Section 159(a) of CMSA, the CMC is required to consult the SC where there is an event of default of the Relevant Persons, the CMC is required to submit its annual regulatory report and audited financial statements to the SC as required by the provision of CMSA, and one of the CMC Board Members is also a member of the Senior Management in the SC.

Significant related party transactions

The significant related party transactions with the CMC is shown below:

	2023 RM'000	2022 RM'000
Management fee paid by the CMC	158	158

23.3 The SC has a related party relationship with the Capital Markets Promotion Council (CMPC), as the Chairman of the SC is also the Chairperson of CMPC, and one of the CMPC Board Members is also a member of the Senior Management in the SC.

Significant related party transactions

The significant related party transaction with the CMPC is shown below:

	2023 RM'000	2022 RM'000
Funding to the CMPC	1,700	600

23.4 The SC has a related party relationship with the IOSCO Asia Pacific Hub (the Hub), as the two Directors of the Hub are also members of the Senior Management in the SC.

Significant related party transactions

The significant related party transaction with the Hub is shown below:

	2023 RM'000	2022 RM'000
Funding to the Hub	500	320

24. CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities as follows:

	2023 RM'000	2022 RM'000
Property, plant and equipment	4,093	1,031
Intangible assets	18,474	5,551

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

The following tables provide an analysis of financial instruments categorised as follows:

i. Amortised cost (AC); and
ii. Fair value through profit or loss (FVTPL)

	AC RM'000	FVTPL RM'000	Carrying amount RM'000
2023			
Financial assets			
Other receivables – long term	1,814	-	1,814
Other investments	473,331	152,291	625,622
Trade and other receivables*	30,710	-	30,710
Cash and cash equivalents	381,133	-	381,133
	886,988	152,291	1,039,279
Financial liabilities			
Other payables and accruals*	(93,448)	-	(93,448)
Contract liabilities	(5,137)	-	(5,137)
Lease liabilities	(9,303)	-	(9,303)
	(107,888)	-	(107,888)
2022			
Financial assets			
Other receivables – long term	2,448	-	2,448
Other investments	858,956	-	858,956
Trade and other receivables*	24,899	-	24,899
Cash and cash equivalents	175,765	-	175,765
	1,062,068	-	1,062,068
Financial liabilities			
Other payables and accruals*	(47,066)	-	(47,066)
Contract liabilities	(2,860)	-	(2,860)
	(49,926)	-	(49,926)

* Exclude non-financial instruments

25.2 Financial risk management

The SC has policies and guidelines on the overall investment strategies and tolerance towards risk. Investments are managed in a prudent manner to ensure the preservation and conservation of the fund.

During the year, the SC invested in units in quoted unit trust.

The SC has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Price risk

25.3 Credit risk

Credit risk is the risk of a financial loss to the SC if a counterparty to a financial instrument fails to meet its contractual obligations. The exposure to credit risk arises principally from the individual characteristics of each customer. There are no significant changes as compared to prior periods.

Receivables

Risk management objectives, policies and processes for managing the risk

The SC has a formal credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

In managing credit risk of receivables, the SC manages its debtors and take appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, receivables will be collected within 30 days.

Recognition and measurement of impairment loss

The SC uses an allowance matrix to measure Expected Credit Loss (ECL) of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

The following table provides information about the exposure to credit risk and ECLs for receivables as at 31 December 2023.

	Gross-carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2023			
Not past due	37,198	-	37,198
2022			
Not past due	24,899	-	24,899

Receivables that are not past due and has not recognised any loss allowance comprise receivables from:

(a) Bursa which has no history of default and has been remitting levies to the SC within the stipulated time frame.

(b) Financial institutions and debt issuers who have no history of default.

(c) Staff financing are supported by collateral in the form of residential properties and motor vehicles with its respective fair value exceeding its outstanding debts. The fair value of the collateralised properties is determined using the comparison method based on professional valuation. The fair value of the collateralised motor vehicles is determined using the comparison method based on available market data.

Cash and cash equivalents

The cash and cash equivalents are held with licensed banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These licensed banks and financial institutions have low credit risk. In addition, some of the bank balances are insured by government agencies. Consequently, the SC is of the view that the loss allowance is not material and hence, it is not provided for.

The SC's investments are mainly in fixed deposits with approved financial institutions and bonds issued by the Government and other government agencies.

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the SC has holdings in debt securities that are managed internally with holdings in Malaysian Government Investment issues (GII) and Guaranteed bonds. Additionally, the debt securities that are managed by external fund managers have a minimum rating of A and above, with an oversight by the Investment Advisory Panel.

25.4 Liquidity risk

Liquidity risk is the risk that the SC will not be able to meet its financial obligations as they fall due. The SC monitors and maintains a level of cash and cash equivalents deemed necessary by the SC to finance its operations and to mitigate the effects of fluctuations in cash flows.

Maturity analysis

The table below summarises the maturity profile of the SC's financial liabilities as at the end of the reporting period. There is no contractual interest rate for other payables and accruals as well as contract liability.

	Carrying amount RM'000	Contractual cashflow	Under 1-year	Over 1-year
2023				
Financial liabilities				
Other payables and accruals*	93,448	93,448	93,448	-
Contract liabilities	5,137	-	5,137	-
Lease liabilities	9,303	10,023	3,246	6,777
	107,888	103,471	101,831	6,777
2022				
Financial liabilities				
Other payables and accruals*	47,066	47,066	47,066	-
Contract liabilities	2,680	-	2,680	-
	49,746	47,066	49,746	-

* Exclude non-financial instruments

25.5 Market risk

Market risk is the risk that changes in market prices, such as interest rates that will affect the amount the SC invested in fixed deposits and quoted unit trust. Such risks will be reflected in the price and the carrying value of the financial assets.

25.5.1 Interest rate risk

The SC's interest-bearing assets mainly comprise fixed deposits with banks and bank balances.

The interest rate profile of the SC's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2023 RM'000	2022 RM'000
Fixed rate instruments		
Financial assets	524,828	1,013,715

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The SC does not have any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

25.5.2 Price risk

Price risk arises from the movement in price of the quoted unit trust. Performance on the quoted unit trust is regularly updated to Management.

25.6 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of fixed deposits is assumed to reasonably approximate their fair values.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value				
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
2023					
Current					
Financial assets					
Government Investment Issues and Government Guaranteed Bonds	-	5,058	-	5,058	5,036
	-	5,058	-	5,058	5,036
Non-current					
Financial assets					
Long-term receivables	-	-	1,814	1,814	1,814
Government Investment Issues and Government Guaranteed Bonds	-	52,453	-	52,453	49,928
	-	52,453	1,814	54,267	51,742
2022					
Current					
Financial assets					
Government Investment Issues and Government Guaranteed Bonds	-	9,985	-	9,985	10,000
	-	9,985	-	9,985	10,000
Non-current					
Financial assets					
Long-term receivables	-	-	2,448	2,448	2,448
Government Investment Issues and Government Guaranteed Bonds	-	20,756	35,000	55,756	55,030
	-	20,756	37,448	58,204	57,478

Level 1 fair value

Level 1 fair value is derived from unadjusted quoted price in active markets for identical financial assets that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2022: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets.

Financial instruments not carried at fair value

Type	Description of valuation technique and input used
Long-term receivables	Discounted cash flows using a rate based on the current market rate of borrowing.

26. IMPAIRMENT ASSESSMENT ON ASSETS

During the year, impairment testing has been performed on property, plant and equipment, intangible assets and rights-of-use assets. The recoverable amounts are determined based on value in use (VIU) method. The key assumptions used in the VIU calculations are as follows:

	2023
Discount rate	3.75%
Growth rate	2.50%

Based on the impairment assessment, there is no impairment loss recognised this year.

27. RESERVES MANAGEMENT

The SC's financial management objective is to maintain adequate reserves to safeguard the SC's ability to perform its duties and functions independently and effectively. Management monitors the long-term capital commitments to ensure that sufficient funds are available to meet the obligations. The SC's investments are managed in a prudent manner to ensure the preservation of the funds.

28. SIGNIFICANT SUBSEQUENT EVENT

28.1 Investment in discretionary mandate managed by external fund managers

Subsequent to the reporting period as at 31 December 2023, the SC has invested RM300.00 million in fixed income securities managed by external fund managers on 2 January 2024. These investments are aligned with the SC's investment policy and to achieve specific financial objectives, with an oversight by the Investment Advisory Panel. The SC monitors the performance of these investments against predetermined benchmarks and risk parameters. The investment will be classified at FVTPL.

STATEMENT BY BOARD MEMBERS

In the opinion of the Board Members, the financial statements set out on pages 176 to 209 are drawn up in accordance with *Malaysian Financial Reporting Standards and International Financial Reporting Standards* so as to give a true and fair view of the financial position of the Securities Commission Malaysia as of 31 December 2023 and of its financial performance and cash flows for the financial year then ended.

On behalf of the Board Members:

AWANG ADEK HUSSIN
CHAIRMAN

WEE HOE SOON @ GOOI HOE SOON
MEMBER

Kuala Lumpur
30 January 2024

STATUTORY DECLARATION

I, **Nur Fatin binti Abdul Aziz**, the officer primarily responsible for the financial management of the Securities Commission Malaysia, do solemnly and sincerely declare that the financial statements set out on pages 176 to 209 are, to the best of my knowledge and belief, correct and I make this solemn declaration believing the declaration to be true, and by virtue of the *Statutory Declarations Act, 1960*.

NUR FATIN BINTI ABDUL AZIZ
OFFICER

Subscribed and solemnly declared by the abovenamed **Nur Fatin binti Abdul Aziz**, NRIC No. 770108-14-5000, at Kuala Lumpur in the Federal Territories on 30 January 2024.

Before me:

PESURUHJAYA SUMPAH
W1007
SAIDATUL ASHIKIN BT
SEPIAN @ SOFFIAN
01 DEC 2022 – 31 DEC 2024
MALAYSIA

No. 23, 2nd Floor,
Jalan Medan Tuanku,
50300 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT
TO THE BOARD MEMBERS OF THE SECURITIES COMMISSION MALAYSIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of the Securities Commission Malaysia (SC) give a true and fair view of the financial position of the SC as at 31 December 2023, and of its financial performance and its cash flows for the financial year then ended in accordance with the *Malaysian Financial Reporting Standards and International Financial Reporting Standards.*

What we have audited

We have audited the financial statements of the SC, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the financial year then ended, and notes to the financial statements, comprising material accounting policy information and other explanatory information, as set out on pages 176 to 209.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and the *International Standards on Auditing.* Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Independence and other ethical responsibilities

Independence and other ethical responsibilities

We are independent of the SC in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the *Malaysian Institute of Accountants (By-Laws)* and the International Ethics Standards Board for Accountants' International *Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Responsibilities of the Board Members for the financial statements

The Board Members are responsible for the preparation of the financial statements of the SC that give a true and fair view in accordance with the *Malaysian Financial Reporting Standards and International Financial Reporting Standards.* The Board Members are also responsible for such internal control as the Board Members determine is necessary to enable the preparation of financial statements of the SC that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the SC, the Board Members are responsible for assessing the SC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board Members either intend to liquidate the SC or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the SC as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and the *International Standards on Auditing* will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or

in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and the *International Standards on Auditing*, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the SC, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SC's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members.

(d) Conclude on the appropriateness of the Board Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the SC or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the SC to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the SC, including the disclosures, and whether the financial statements of the SC represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the Board Members, as a statutory body and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

MAHESH A/L RAMESH
03428/04/2025 J
Chartered Accountant

Kuala Lumpur
30 January 2024

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PART 6
MARKET STATISTICS

CORPORATE PROPOSALS

EQUITY

In 2023, the SC approved 18 equity applications, of which 7 were for IPO[1] on the Main Market of Bursa Malaysia with a total market capitalisation of RM9.04 billion. The estimated amount of funds raised from these IPOs is RM2.81 billion (Table 1). The remaining applications approved were 11 transfers of listing from the ACE Market to the Main Market.

There were a total of 32 new listings in 2023, of which 7 were on the Main Market, 24 were on the ACE Market and the remaining 1 was on the LEAP Market with a total market capitalisation of RM13.63 billion. The total amount of funds raised from these new listings was approximately RM3.58 billion.

CORPORATE BONDS AND SUKUK

The Malaysian corporate bonds and sukuk market reported total issuances of RM118.33 billion in 2023, representing a 22.82% decrease from RM153.32 billion issued in 2022.

Ringgit-denominated corporate bonds and sukuk issues continued to form the majority of the proposals approved by/lodged with the SC with a total nominal value of RM171.48 billion, of which 57.30% or RM98.26 billion were sukuk (Table 2).

TABLE 1
Equity applications approved by type of proposals

Type of proposals	2023		2022	
	No. of proposals approved	Estimated amount to be raised (RM million)	No. of proposals approved	Estimated amount to be raised (RM million)
IPO on Main Market: – Domestic companies	7	2,808.29	6	3,075.57
Restructuring / Mergers and acquisitions	-	-	2	-
Transfer from ACE Market to Main Market	11	-	8	-
TOTAL	**18**	**2,808.29**	**16**	**3,075.57**

[1] Includes approval of a business trust for listing on the Main Market of Bursa Malaysia.

TABLE 2
Lodged/approved ringgit-denominated corporate bonds and sukuk issues

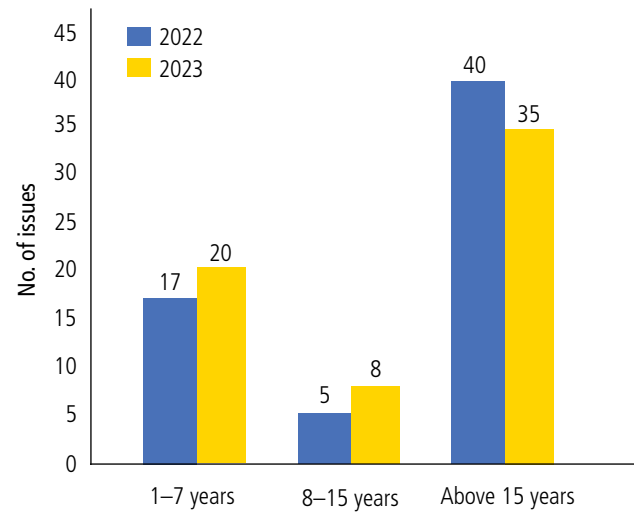
Type of issues	2023		2022	
	No. of issues	Nominal amount (RM million)	No. of issues	Nominal amount (RM million)
Corporate bonds				
– Commercial papers/Medium-term notes	20	73,004.50	15	19,030.00
– Bonds	-	-	-	-
– Loan stocks	2	215.46	2	370.24
Subtotal	**22**	**73,219.96**	**17**	**19,400.24**
Sukuk				
– Islamic commercial papers/Islamic medium-term notes	40	93,263.00	40	140,849.00
– Islamic bonds	1	5,000.00	-	-
– Islamic loan stocks	-	-	3	7,016.00
Subtotal	**41**	**98,263.00**	**43**	**147,865.00**
Combination of corporate bonds and sukuk				
– Commercial papers/Islamic commercial papers	-	-	2	20,000.00
Subtotal	**-**	**-**	**2**	**20,000.00**
TOTAL	**63**	**171,482.96**	**62**	**187,265.24**

The total number of ringgit-denominated corporate bonds and sukuk approved by/lodged with the SC with tenures of 1 to 7 years and 8 to 15 years increased by 17.65% and 60% respectively. There was a 12.50% decrease in the total number of ringgit-denominated corporate bonds and sukuk with tenures of more than 15 years (Chart 1).

In 2023, a total of 40 ratings were assigned by credit rating agencies to ringgit-denominated corporate bonds and sukuk issues lodged with the SC, as compared to 45 ratings assigned in 2022. The number of unrated issues has increased by 75% as compared to 2022 (Chart 2).

There were 3 foreign currency-denominated corporate bonds and sukuk lodged with the SC in 2023.

CHART 1
Tenure of lodged/approved ringgit-denominated corporate bonds and sukuk issues



Note:
Tenure of facility, and not the respective notes or papers under the facility.

CHART 2
Rating summary of lodged/approved ringgit-denominated corporate bonds and sukuk issues

Note:
A corporate bond or sukuk issue may be assigned with more than 1 credit rating (e.g. for commercial papers/medium-term notes programmes, both short-term rating accorded for commercial papers and long-term rating for medium-term notes are taken into account).

INVESTMENT MANAGEMENT

FUND MANAGEMENT

The total AUM of licensed FMCs in Malaysia increased by 7.61% to RM975.48 billion as compared to RM906.46 billion in 2022. In 2023, top 5 FMCs contributed to 53.87% of total AUM as compared to 55.42% in 2022 (Chart 1).

Sources of funds under management were largely from unit trust funds (UTFs), EPF, corporate bodies, and wholesale funds (WFs) (Table 1). The funds were allocated in various asset classes and locations, of which, investment inside Malaysia by FMCs amounted to RM646.19 billion, representing 66.24% of the total AUM as at end of 2023 (Chart 2). The bulk of investment was allocated in equities with 48.65% as at end of 2023, as compared to 47.59% in 2022 (Chart 3). The asset allocation for investment inside Malaysia continued to focus on equities, fixed income and money market placement, trend is similarly observed last year (Chart 4).

TABLE 1
Source of clients' funds under management

Source of funds	2023 (RM billion)	2022 (RM billion)
UTF	499.88	487.94
EPF	186.92	157.83
Corporate bodies	107.83	97.76
WF	77.15	76.50
Statutory bodies and government agencies	45.52	38.21
Others	30.51	22.28
Individuals	21.22	20.53
PRS	6.45	5.41
TOTAL	**975.48**	**906.46**

CHART 1
Assets managed by FMCs (%)

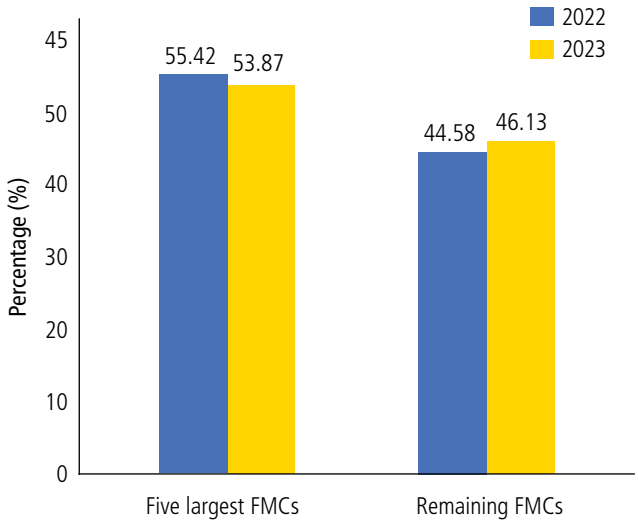


CHART 2
Assets invested inside and outside of Malaysia (RM billion)

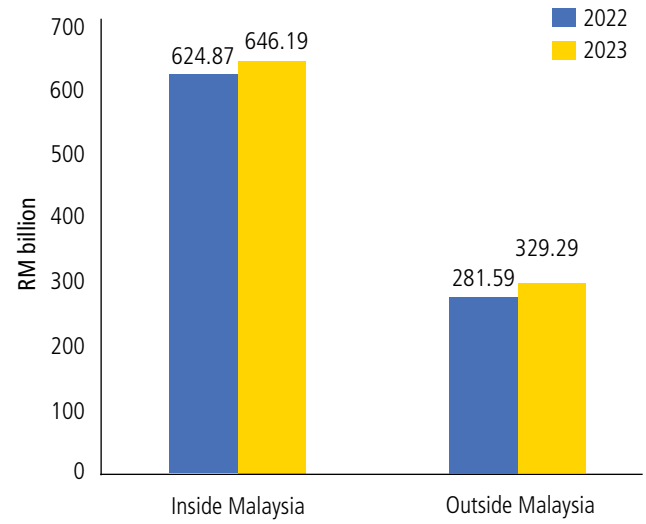


CHART 3
Assets allocation (%)

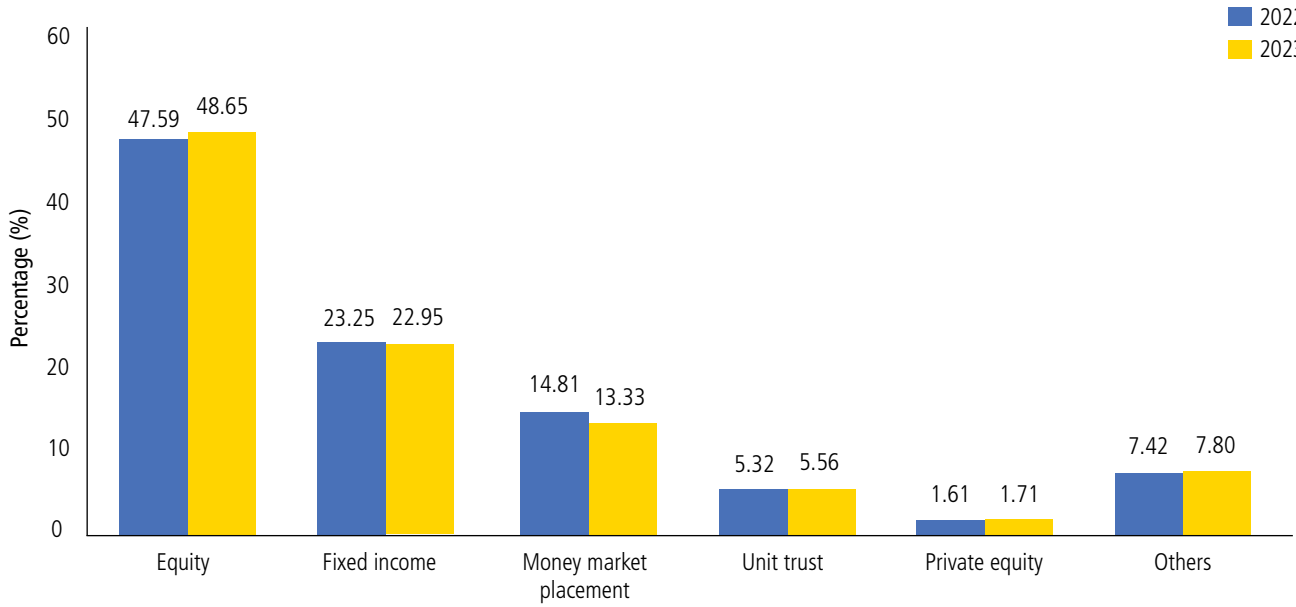
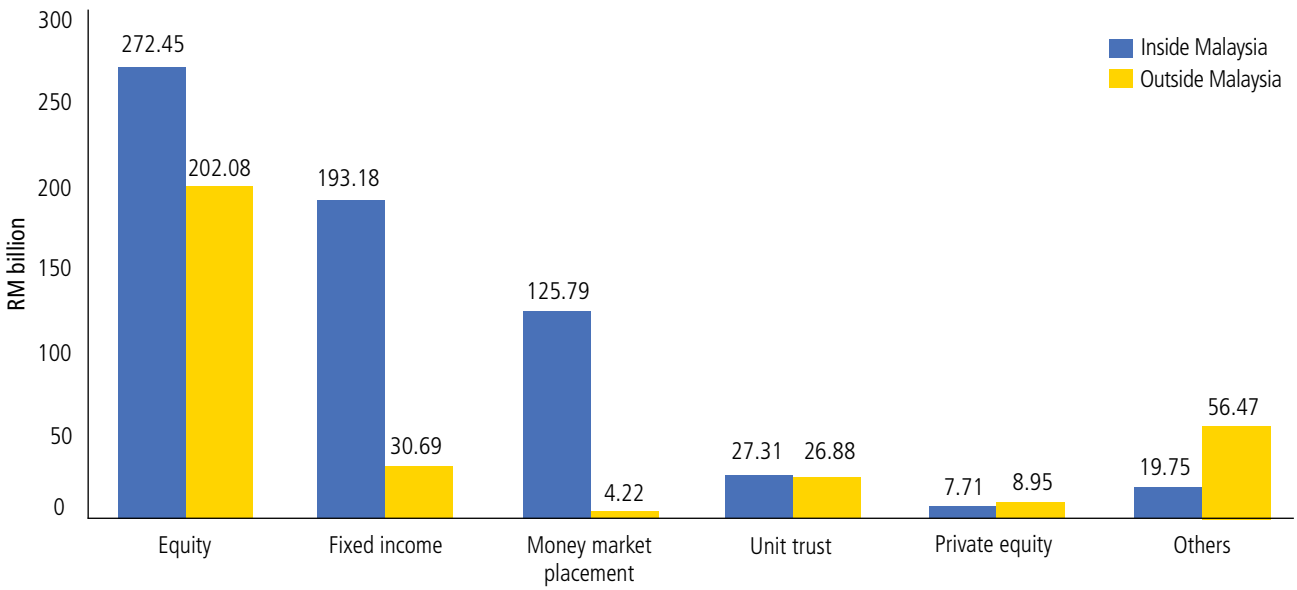


CHART 4
Assets allocation inside and outside of Malaysia as at 31 December 2023 (RM billion)



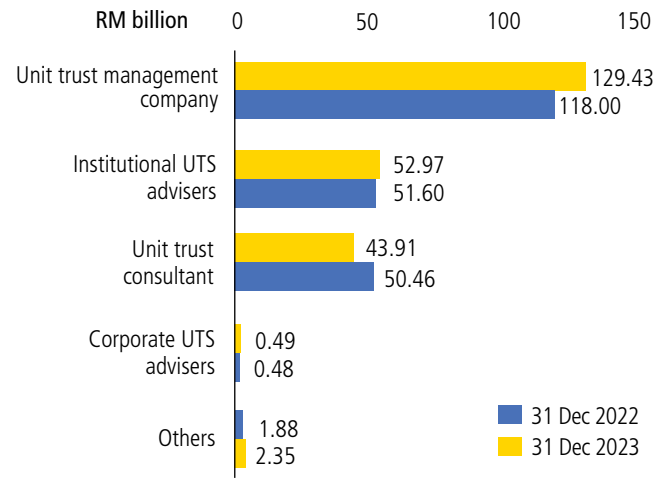
COLLECTIVE INVESTMENT SCHEMES AND PRIVATE RETIREMENT SCHEMES

Unit Trust Funds

In 2023, UTFs in Malaysia continued to be the largest component of the Malaysian CIS industry with a total NAV of RM499.88 billion recorded as at 31 December 2023 (2022: RM487.94 billion). The percentage of the total NAV of the UTF industry against Bursa Malaysia Securities Bhd's (Bursa Malaysia) market capitalisation was 27.83% (2022: 28.10%). In the year under review, a total of 21 UTFs were launched while 17 funds were terminated and 6 funds matured, which brought the total number of UTFs offered by 38 locally-incorporated unit trust management companies to 757 funds as at 31 December 2023 (Table 2).

The UTF industry recorded total gross sales (excluding reinvestment of distribution) of RM228.68 billion (2022: RM222.89 billion), the majority of which were distributed by unit trust management companies with total gross sales of RM129.43 billion (Chart 5). Overall, the UTFs industry recorded net redemptions (excluding reinvestment of distribution) of -RM25.19 billion in 2023 (2022: -RM26.28 billion).

CHART 5
Distribution channels



Wholesale Funds

In the WFs segment, a total NAV of RM77.15 billion was recorded as at 31 December 2023 (2022: 76.50 billion). A total of 43 funds were launched under the LOLA Framework (2022: 46 funds) to sophisticated investors while 14 funds were terminated and 1 fund matured in 2023, which brought the total number of WFs offered by 48 fund management companies to 465 funds as at 31 December 2023.

TABLE 2
Overall status of UTF industry

	31 December 2023	31 December 2022
No. of funds offered – Conventional – Shariah-compliant	757 466 291	759 473 286
Units in circulation (billion units)	756.79	769.00
No. of accounts (million)*	26.38	25.31
Total NAV (RM billion) – Conventional (RM billion) – Shariah-compliant (RM billion)	499.88 386.77 113.11	487.94 380.55 107.39
% of NAV to Bursa Malaysia market capitalisation^	27.83	28.10

Note:
* No. of accounts include number of unitholders accounts with institutional UTS advisers that operate nominee account systems.
^ The comparison made between the total NAV of the UTF industry and Bursa Malaysia's market capitalisation is not an indication of the actual amount invested in Bursa Malaysia by the UTF.

SRI Funds

As at 31 December 2023, there were 68 funds offered to investors which have been qualified as sustainable and responsible investment (SRI) funds under the *Guidelines on Sustainable and Responsible Investment Funds* (2022: 58 funds). The 68 funds comprised 40 UTF's and 28 wholesale funds with a total NAV as at 31 December 2023 of RM7.70 billion (2022: RM7.05 billion).

Real Estate Investment Trusts

As at 31 December 2023, there are a total of 19 REITs listed on the Main Market of Bursa Malaysia with a total market capitalisation (including a stapled group) of RM41.78 billion (2022: RM39.08 billion). The total asset size grew from RM61.55 billion as at 31 December 2022 to RM66.93 billion as at end of 2023. There are 2 unlisted REIT offered to sophisticated investors as at 31 December 2023.

Exchange-Traded Funds

With the delisting of TradePlus NYSE® FANG+TM Daily (2x) Leveraged Tracker, TradePlus NYSE® FANG+TM Daily (-1x) Inverse Tracker, TradePlus HSCEI Daily (2x) Leveraged Tracker and TradePlus HSCEI Daily (-1x) Inverse Tracker in 2023, the total number of exchange-traded funds (ETFs) listed on the Main Market of Bursa Malaysia as at 31 December 2023 was 15 (2022: 19) with a total market capitalisation of RM2.21 billion (2022: RM2.10 billion).

Closed-End Fund

As at 31 December 2023, there continued to be only one closed-end fund (CEF) listed on the Main Market of Bursa Malaysia with a market capitalisation of RM392 million (2022: RM280 million).

PRIVATE RETIREMENT SCHEMES

With the launch of a new PRS in 2023, there were 14 PRS (2022: 13 PRS) offered by 9 PRS providers as at 31 December 2023. A total of 4 new private retirement funds were launched while 1 private retirement fund was terminated in 2023, which brought the total number of private retirement funds in operation as at 31 December 2023 to 78 (2022: 75).

The total NAV saw commendable growth of 19.22%, growing to RM6.45 billion as at 31 December 2023 from RM5.41 billion as at 31 December 2022. In addition, contributions into PRS remained robust, with RM767 million being invested into PRS in 2023.

The total number of members as at 31 December 2023 increased by 3.90% to 579,000 from 557,000 as at 31 December 2022, with key PRS demographics as indicated in Charts 6-8.

CHART 6
PRS members by age group

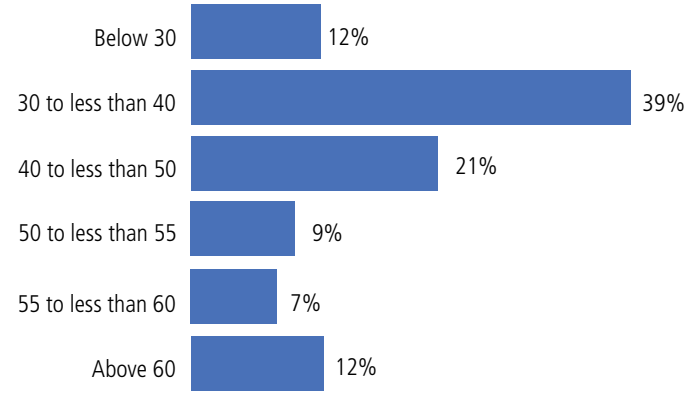


CHART 7
PRS members by gender

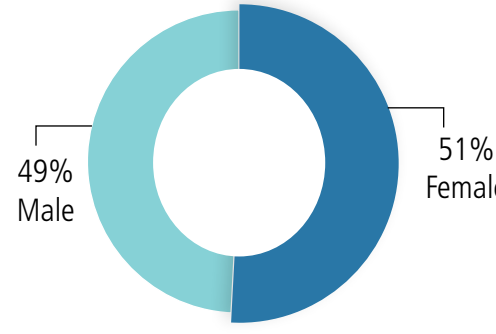
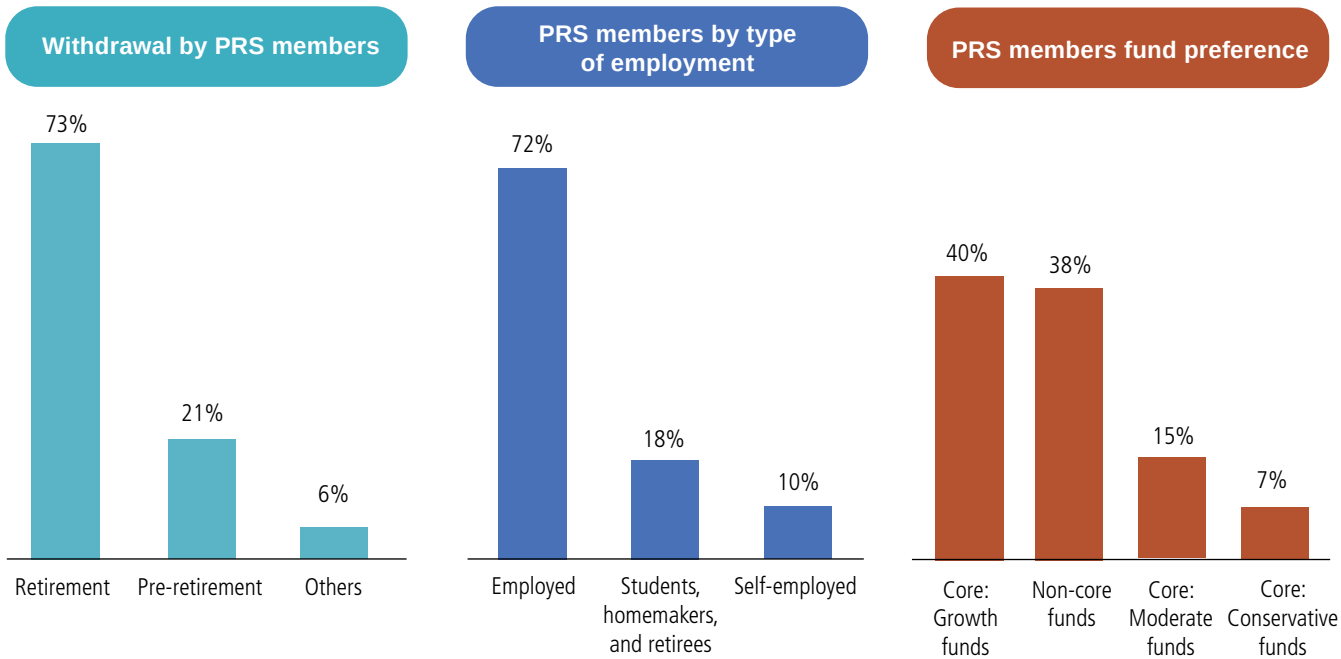


CHART 8



INVESTMENT PRODUCTS

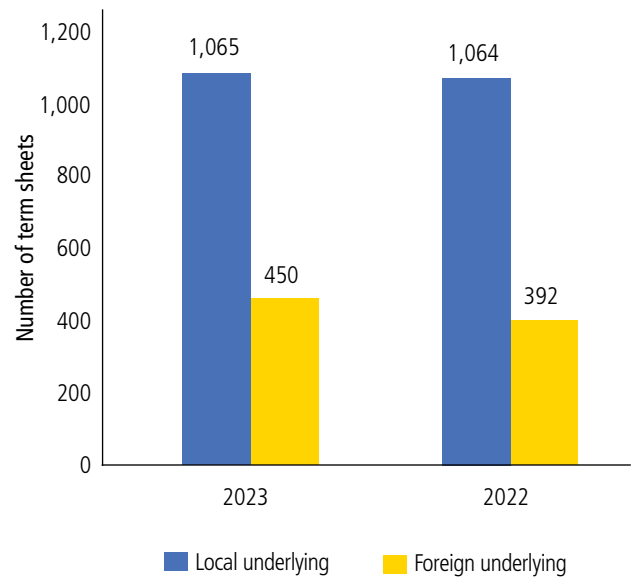
Structured Warrants

The number of structured warrants term sheets with foreign underlying has expanded in 2023 with 450 term sheets registered, representing an increase of 15% compared to 2022 (2022: 392 term sheets). A total of 1,065 term sheets with local underlying were registered in 2023 as compared to 1,064 term sheets in 2022.

In 2023, the number of registered structured warrants term sheets with index as an underlying increased by 31% (2023: 334 term sheets, 2022: 254 term sheets).

Majority of the underlying index are foreign indices which comprise structured warrants over the Hang Seng Index, Hang Seng Tech Index, NASDAQ-100 Index, S&P 500 Index and Dow Jones Industrial Average Index. The year 2023 saw the issuance of structured warrants referencing a new underlying index, namely the Nikkei Stock Average (Nikkei 225) Index.

CHART 9
Structured warrants term sheets registered by listing domicile of underlying



Structured Products

In 2023, a total of 12 issuers lodged 20 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 RM100 billion with each programme having a size limit of up to RM5 billion (Table 4).

TABLE 4
Structured product programmes

	2023		2022	
New programmes lodged	**No. of programmes**	**Size (RM billion)**	**No. of programmes**	**Size (RM billion)**
Principle				
– Conventional	18	90	20	100
– Islamic	2	10	2	10
TOTAL	**20**	**100**	**22**	**110**

Structured Product Series

The Malaysian structured product market reported a substantial increase of 24% of total new issuances in 2023 compared to 2022.

HNWIs continued to form the majority of investors accounting for 91.9% of investors in structured product. 2023 saw a significant increase of 24.4% on the offering of structured product to HNWIs from 2022. The balance of 8.1% of investors consisted of high-net-worth entities (HNWEs) and accredited investors and persons who acquire the unlisted capital market product for a consideration of not less than RM250,000 per transaction category (Chart 10).

Conventional structured products continued its market domination accounting for 98.3% of issuance in 2023 (Chart 11).

In 2023, a total of 167 structured product series were lodged under the LOLA Framework for the offering to sophisticated investors (2022: 153), representing an increase of 9%.

CHART 10
Breakdown by investor type

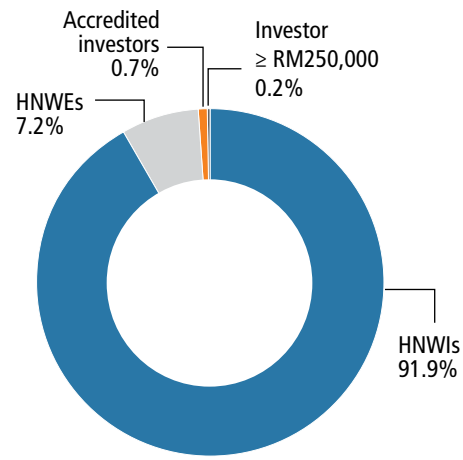
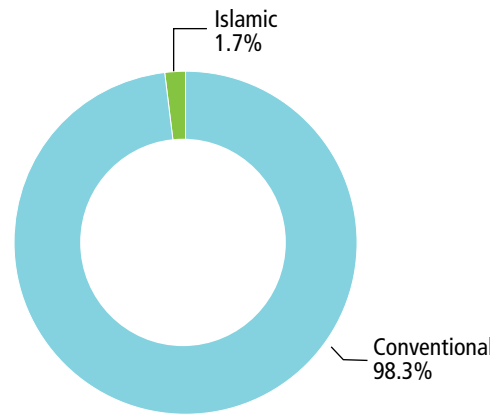


CHART 11
Breakdown by principle



Contracts for Difference

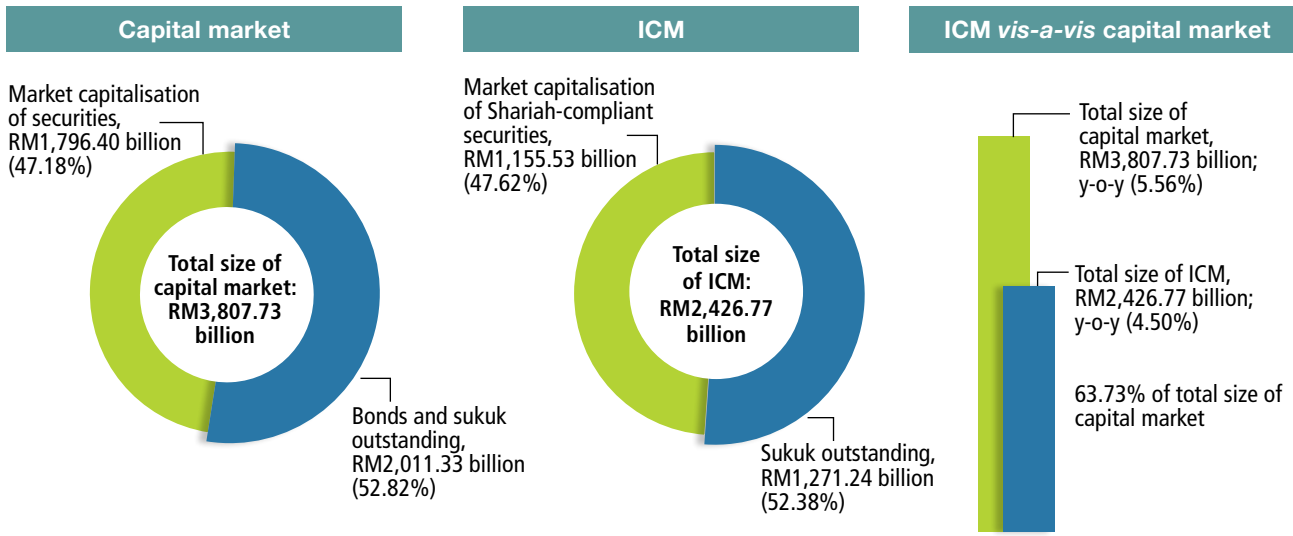
In line with the SC's *Capital Market Masterplan 2* to promote and develop the derivatives market, the SC introduced the *Guidelines on Contracts for Difference* (CFD) on 6 April 2018. A CFD is a leveraged derivatives product that allows investors to participate in the price movement of an underlying instrument. Given the complexity of CFDs, the framework is implemented on a phased approach starting with sophisticated investors.

In 2023, there were 2 CFD providers offering CFD in Malaysia based on shares and indices, mirroring the scenario as observed in 2022.

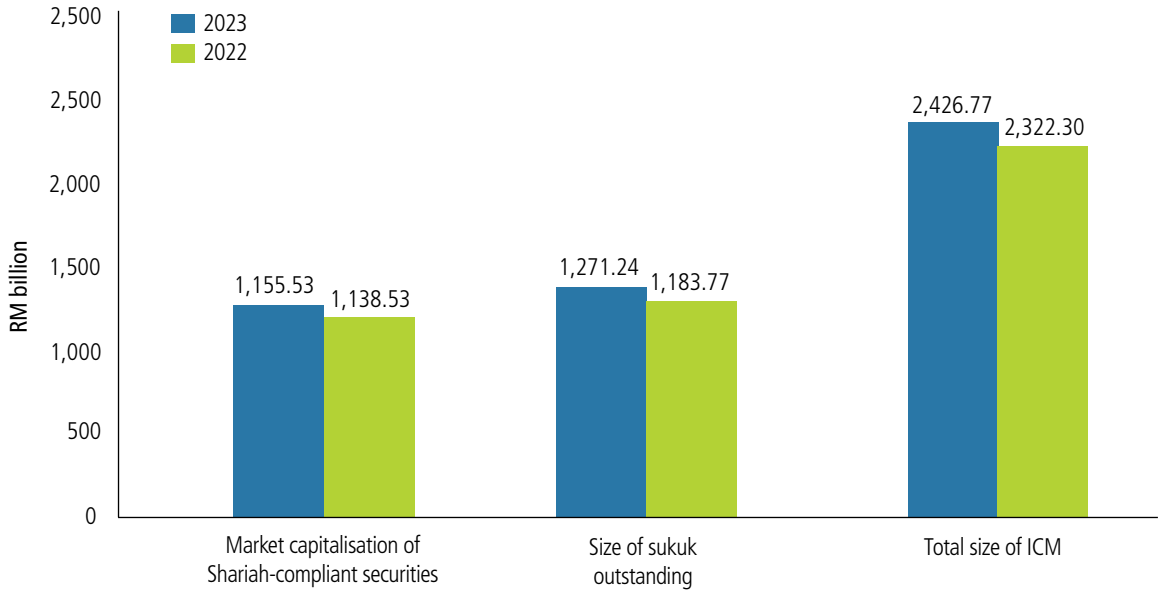
ISLAMIC CAPITAL MARKET

The ICM maintains a substantial contribution, accounting for 63.73% of the overall capital market. Demonstrating steady growth, the ICM expanded by 4.5% year-on-year, increasing from RM2,322.30 billion in 2022 to RM2,426.77 billion as at end 2023. The ICM comprises Shariah-compliant securities, with total market capitalisation of RM1,155.53 billion, and sukuk, with total amount outstanding of RM1,271.24 billion (Chart 1 and Table 1).

CHART 1
ICM as at December 2023



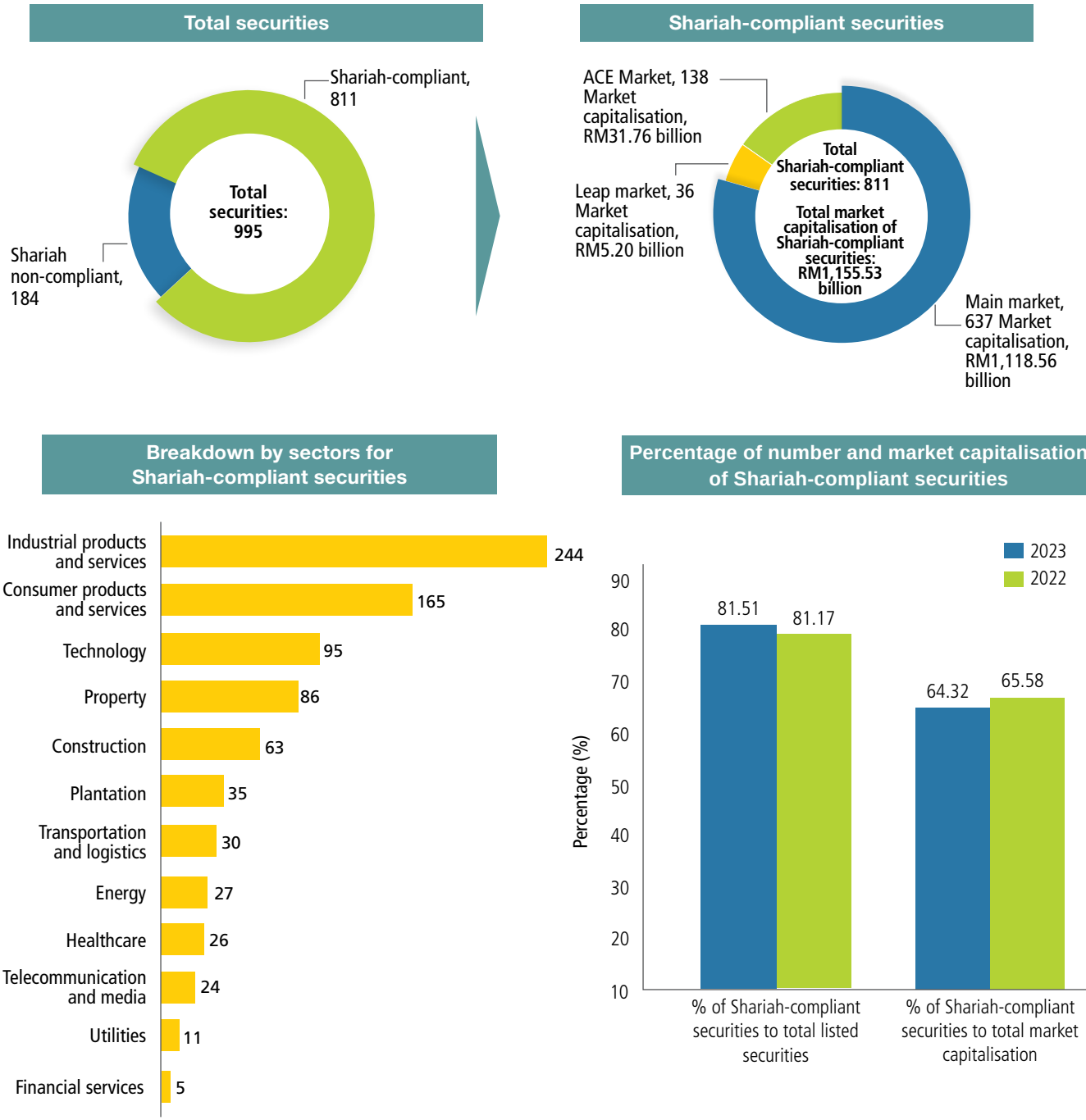
Size of ICM



SHARIAH-COMPLIANT SECURITIES

As of end 2023, the number of Shariah-compliant securities increased from 789 to 811, constituting 81.51% of the total 995 listed securities on Bursa Malaysia. The market capitalisation of Shariah-compliant securities registered an increase of 3.25% as compared to end 2022, standing at RM1,155.53 billion or 64.32% of the total market capitalisation by December 2023, (Chart 2 and Table 2).

CHART 2
Shariah-compliant securities as at December 2023



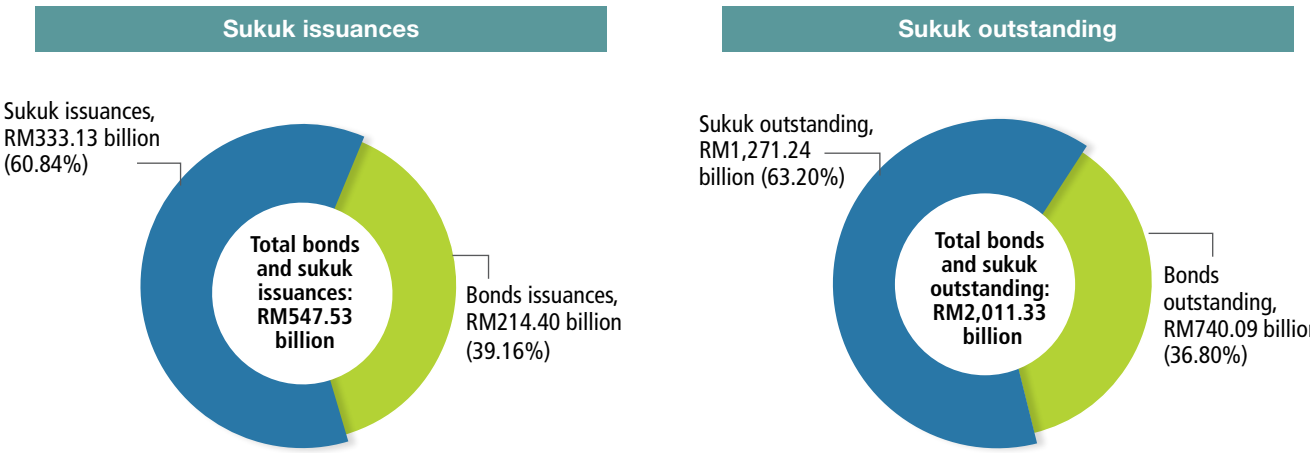
SUKUK

In the sukuk market, corporate sukuk issuances represented 77.25% (2022: 81.66%) of total corporate bonds and sukuk issuances while corporate sukuk outstanding accounted for 83.96% (2022: 82.82%) of total corporate bonds and sukuk outstanding (Table 3).

The total sukuk issuances in 2023 represented 60.84% (2022: 68.23%) of total bonds and sukuk issuances whereas total sukuk outstanding represented 63.20% (2022: 63.27%) of total bonds and sukuk outstanding (Chart 3 and Table 4).

A total of 15 issuers issued SRI sukuk in 2023, bringing the total of SRI sukuk issuers to 34 since 2015. Corporate SRI sukuk issuances in 2023 amounted to RM8.68 billion, which was 9.50% of total corporate sukuk issuances, while corporate SRI sukuk outstanding increased to RM26.32 billion as at December 2023 (2022: RM17.93 billion), constituting 3.75% of total corporate sukuk outstanding.

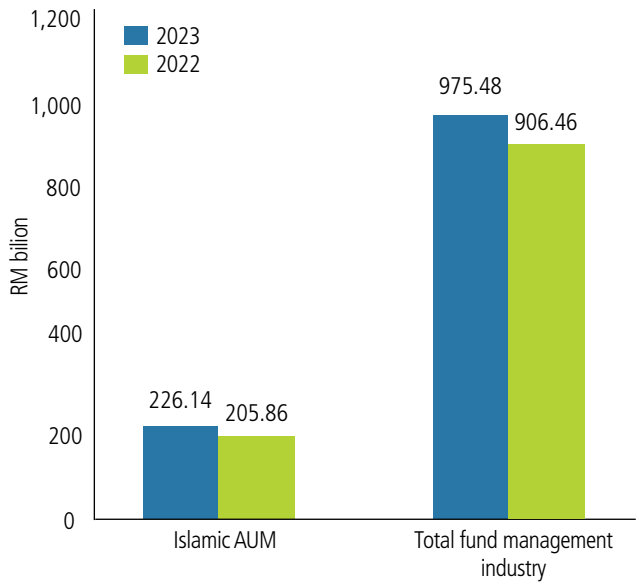
CHART 3
Sukuk as at December 2023



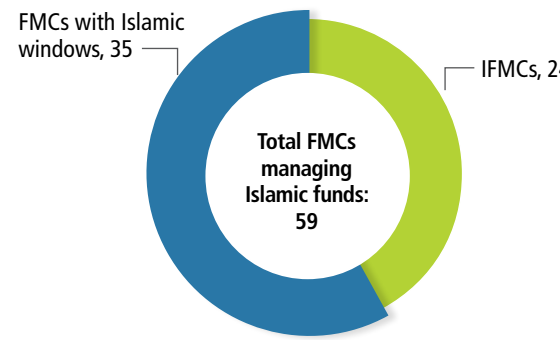
ISLAMIC FUND MANAGEMENT

As at December 2023, Islamic AUM stood at RM226.14 billion, a y-o-y increase of 9.85% from RM205.86 billion as at end 2022 (Chart 4). Total number of Islamic CIS (UTF, WF, PRS, REIT and ETF) amounts to 415 as of December 2023, which includes 28 Islamic SRI funds. Additionally, there were a total of 59 fund management companies overseeing Islamic funds, comprising 24 full-fledged Islamic fund management companies and 35 conventional fund management companies with Islamic windows as at December 2023.

CHART 4
AUM of Islamic fund management



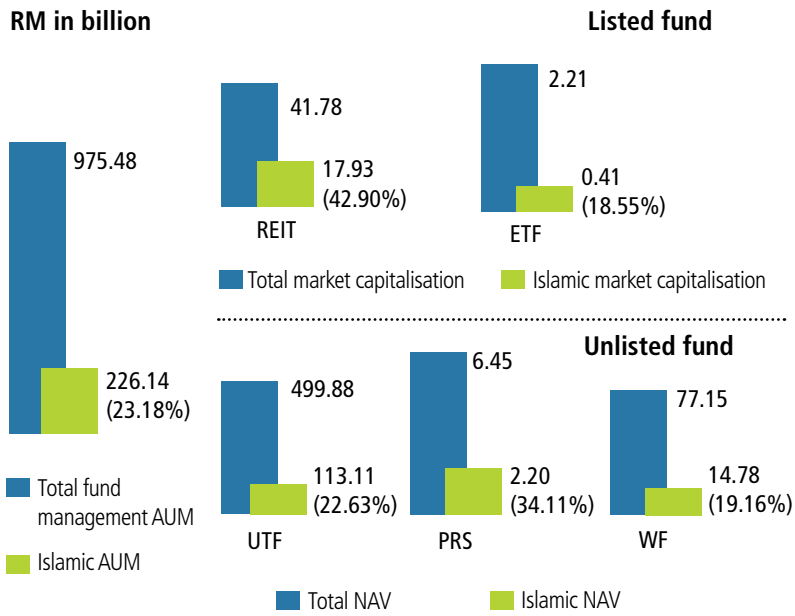
Fund management industry



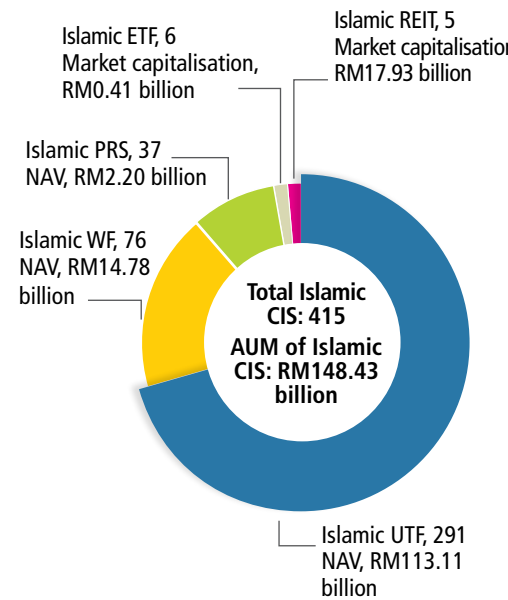
Islamic AUM as at December 2023: RM226.14 billion

Note:
AUM is sourced from CIS and private mandates.

Fund management industry



Islamic CIS



KEY STATISTICS

TABLE 1
Size of ICM

	2023 RM billion	2022 RM billion
Market capitalisation of Shariah-compliant securities	1,155.53	1,138.53
Size of sukuk outstanding	1,271.24	1,183.77
Total size of ICM	2,426.77	2,322.30
% ICM to total capital market	63.73%	64.38%

TABLE 2
Shariah-compliant securities

	2023	2022
Number of securities:		
Shariah-compliant securities	811	789
Total listed securities	995	972
% of Shariah-compliant securities to total listed securities	81.51%	81.17%
Market capitalisation (RM billion):		
Shariah-compliant securities	1,155.53	1,138.53
Total market capitalisation	1,796.40	1,736.21
% of Shariah-compliant securities to total market capitalisation	64.32%	65.58%

TABLE 3
Corporate sukuk

	2023	2022
Total issuance (RM billion)		
Sukuk issuance	91.41	125.20
Total corporate bonds and sukuk issuances	118.33	153.32
% of sukuk to total corporate bonds and sukuk issuances	77.25%	81.66%
Total outstanding (RM billion)		
Sukuk outstanding	702.52	666.00
Total corporate bonds and sukuk outstanding	836.74	804.10
% of sukuk to total corporate bonds and sukuk outstanding	83.96%	82.82%

TABLE 4
Total sukuk

	2023	2022
Total issuance (RM billion)		
Sukuk issuance	333.13	296.84
Total bonds and sukuk issuance	547.53	435.08
% of sukuk to total bonds and sukuk issuances	60.84%	68.23%
Total outstanding (RM billion)		
Sukuk outstanding	1,271.24	1,183.77
Total bonds and sukuk outstanding	2,011.33	1,871.08
% of sukuk to total bonds and sukuk outstanding	63.20%	63.27%

TABLE 5
Islamic AUM

	2023	2022
Islamic AUM (RM billion)	226.14	205.86
Total fund management industry (RM billion)	975.48	906.46
% Islamic AUM to total fund management industry	23.18%	22.71%

TABLE 6
Islamic UTF

	2023	2022
Islamic UTF	291	286
Total industry	757	759
NAV of Islamic UTF (RM billion)	113.11	107.39
NAV of total industry (RM billion)	499.88	487.94
% NAV of Islamic UTF to total industry	22.63%	22.01%

TABLE 7
Islamic WF

	2023	2022
Islamic WF	76	72
Total industry	465	437
NAV of Islamic WF (RM billion)	14.78	16.75
NAV of total industry (RM billion)	77.15	76.50
% NAV of Islamic WF to total industry	19.16%	21.90%

TABLE 8
Islamic PRS funds

	2023	2022
Islamic PRS	37	35
Total industry	78	75
NAV of Islamic PRS (RM billion)	2.20	1.72
NAV of total industry (RM billion)	6.45	5.41
% NAV of Islamic PRS to total industry	34.11%	31.79%

TABLE 9
Islamic REIT

	2023	2022
Islamic REIT	5	5
Total industry	19	19
Market capitalisation of Islamic REIT (RM billion)	17.93	16.80
Market capitalisation of total industry (RM billion)	41.78	39.08
% market capitalisation of Islamic REIT to total industry	42.90%	42.99%

TABLE 10
Islamic ETF

	2023	2022
Islamic ETF	6	6
Total industry	15	19
Market capitalisation of Islamic ETF (RM billion)	0.41	0.40
Market capitalisation of total industry (RM billion)	2.21	2.10
% market capitalisation of Islamic ETF to total industry	18.55%	19.05%

TABLE 11
Registered Shariah advisers

	2023	2022
Individual	75	65
Corporation	20	20
Total registered Shariah advisers	95	85

VENTURE CAPITAL AND PRIVATE EQUITY

TABLE 1
Statistics of industry participants

	2023	2022
Number of registered corporations	137	129
Number of registered VCMCs and VCCs	113	109
Number of registered PEMCs and PECs	24	20
Number of VC and PE professionals[1]	305	229

Note:
[1] Professionals with at least 4 years of experience.

The total number of registered corporations stood at 137 as at 31 December 2023 (Table 1). The venture capital segment accounted for 113 registered venture capital management corporations (VCMCs) and venture capital corporations (VCCs), while the private equity segment consisted of 24 registered private equity management corporations (PEMCs) and private equity corporations (PECs).

As at end 2023, the number of professionals employed by the industry with at least 4 years of experience stood at 305.

Total committed funds in the industry as at the end of 2023 stood at RM11.00 billion and RM6.58 billion for private equity and venture capital respectively (Table 2), with a combined total of RM17.58 billion.

TABLE 2
Industry key statistics
Figures in RM millions

	2023		2022	
	Private equity	Venture capital	Private equity	Venture capital
Total committed funds under management [1]	11,000.01	6,581.14	10,711.59	5,372.93
Total drawn capital [2]	8,899.53	4,551.23	7,644.83	3,868.54
Estimated capital available for investment [3]=[1]-[2]	2,100.48	2,029.91	3,066.75	1,504.39
Total no. of investee companies	63	392	68	186

Note:
The statistics are based on self-reported figures by registered VC/PE firms. Y-o-y movements may vary.

For PE, commitments are sourced largely from corporate investors (32.36%), individuals and family offices (19.45%), and financial institutions (12.88%) (Chart 1).

For VC, government agencies and investment companies (38.62%), sovereign wealth funds (22.55%) and corporate investors (19.73%) make up the top 3 sources of funding (Chart 2).

The top 3 registered corporations by amount of investor commitments as at end 2023 were Creador, Xeraya Capital and MAVCAP.

CHART 1
Sources of funds, private equity (2023: RM11.00 billion)

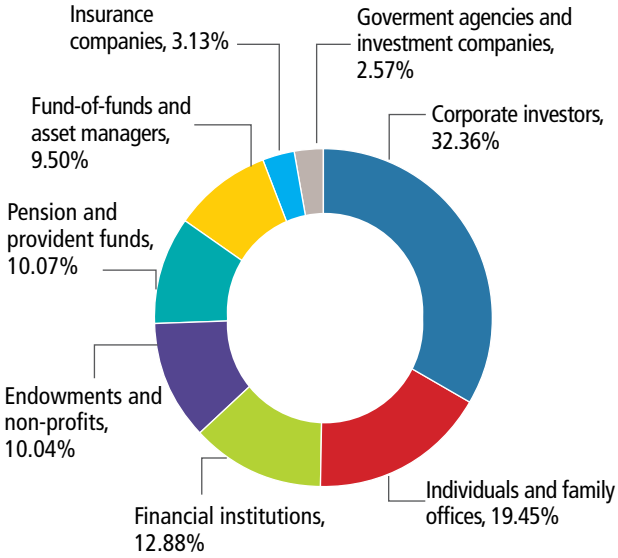
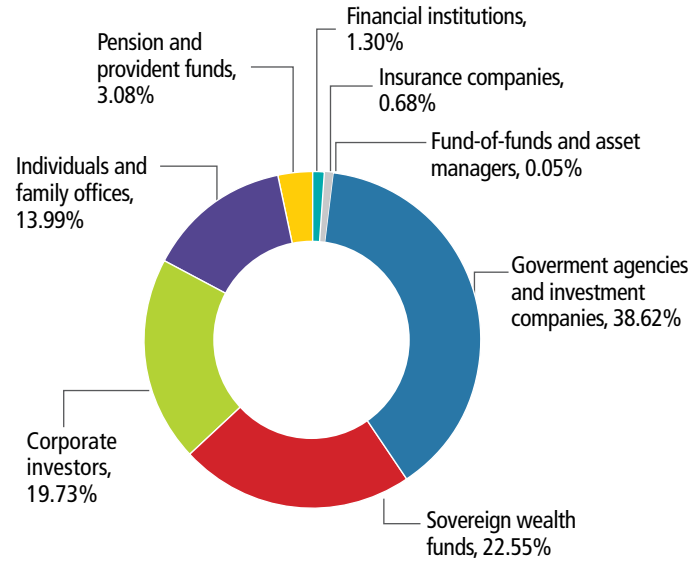


CHART 2
Sources of funds, venture capital (2023: RM6.58 billion)



Note:

Government agencies and investment companies: Includes ministerial investment companies (e.g. MOF (Incorporated)), government agencies, statutory bodies and GLICs established for the purpose of managing investments of public funds.

TABLE 3
Investments during 2023

Business Stage	New investments (RM '000)	% of segment	No. of companies
Venture Capital			
Seed	17,298.79	7.73%	7
Start-up	12,896.87	5.77%	4
Early stage	58,722.12	26.25%	17
Growth	126,689.08	56.63%	33
Bridge/Mezzanine/Pre-IPO	8,100.00	3.62%	1
Private Equity			
Startup	41,264.07	2.96%	2
Early stage	232,714.52	16.71%	4
Growth	1,075,382.47	77.20%	18
Buyout	43,710.02	3.14%	1
Total	**1,616,777.94**	**100.00%**	**87**
Venture Capital	***223,706.86***	***13.84%***	***62***
Private Equity	***1,393,071.08***	***86.16%***	***25***

VC investments in 2023 concentrated on growth (56.63%), followed by early stage (26.25%) and seed (7.73%) opportunities. PE investments were primarily channeled into growth plays (77.20%), with some investments made to early stage opportunities (16.71%), followed by buyouts (3.14%). In total, 62 VC and 25 PE deals were recorded in 2023 (Table 3).

In terms of target industries, financial services (18.12%) saw the highest share of VC investment in 2023, followed by wholesale and retail trade (13.55%), and life sciences (12.97%).

As for PE, investments were largely channeled to business services (45.06%) in 2023, followed by wholesale and retail trade (35.15%) and transportation and storage (4.28%) (Chart 3).

CHART 3
Investments during 2023, top 5 target industries

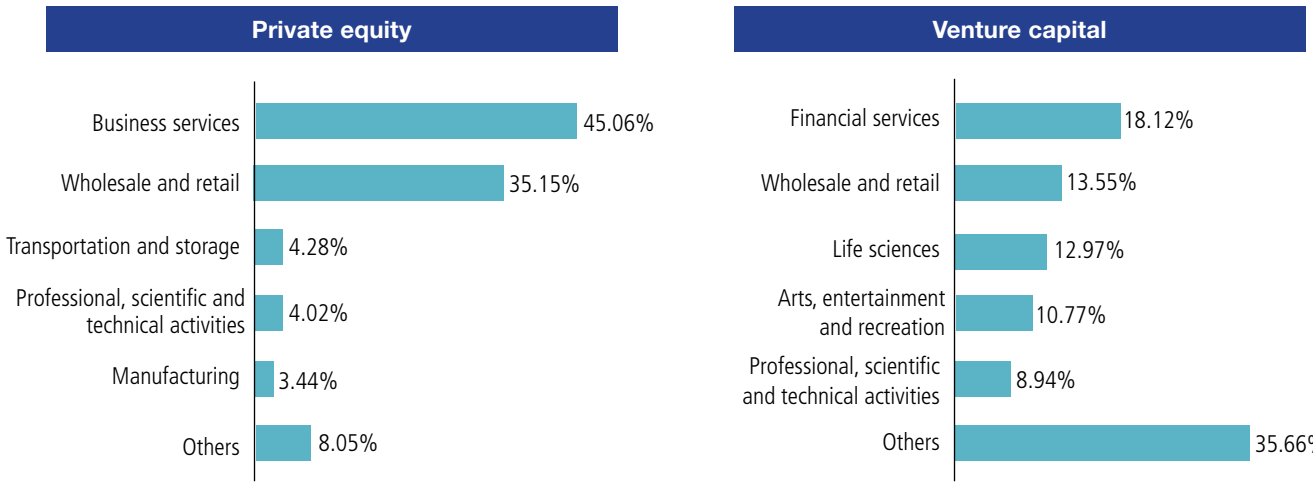


TABLE 4
Divestments during 2023

Business Stage	Divestments (RM '000)	% of segment	No. of companies
Venture Capital			
Seed	28,958.06	8.06%	4
Start-up	12,926.30	3.60%	2
Early stage	62,971.36	17.54%	8
Growth	253,951.56	70.72%	112
Buyout	269.48	0.08%	1
Private Equity			
Growth	657,077.40	93.27%	21
Buyout	46,710.02	6.63%	2
Turnaround/Restructuring	737.35	0.10%	1
Total	**1,063,601.52**	**100.00%**	**151**
Venture Capital	*359,076.75*	*33.76%*	*127*
Private Equity	*704,524.77*	*66.24%*	*24*

Note:
Figures measured at cost.

Divestments during 2023 were mainly exits in the growth stage for both VC and PE segments (Table 4). Exits in 2023 were primarily through IPO or sale to public markets and trade sales.

EQUITY CROWDFUNDING[1]

CAMPAIGNS

Since its inception, ECF has garnered a total fundraising amount of RM686.69 million across 381 campaigns, with Shariah-compliant campaigns contributing 4% of the total funds raised.

As illustrated in Chart 1, the total funds raised in 2023 decreased to RM126.28 million from the RM140.89 million recorded in 2022. This declining trend is also evident in the number of successful campaigns, which decreased to 51 in 2023, down from the 68 campaigns recorded in 2022.

Despite the overall decline in total funds raised in 2023, there was an increase in the growth of larger-sized campaigns, raising funds exceeding RM3 million. These constituted 25% of the campaigns in 2023, up from 21% in 2022, as depicted in Chart 2. The highest amount raised by a single fundraising campaign in 2023 reached a maximum of RM20 million.

Professional, scientific, and technical activities retained its status as the most popular economic sector served by ECF in 2023, raising a total amount of RM32.51 million (Chart 3). A notable shift in fundraising stages is observed, with the number of seed-stage campaigns doubling to 42%, up from 16% in the preceding year, as indicated in Chart 4.

CHART 1
Total funds raised

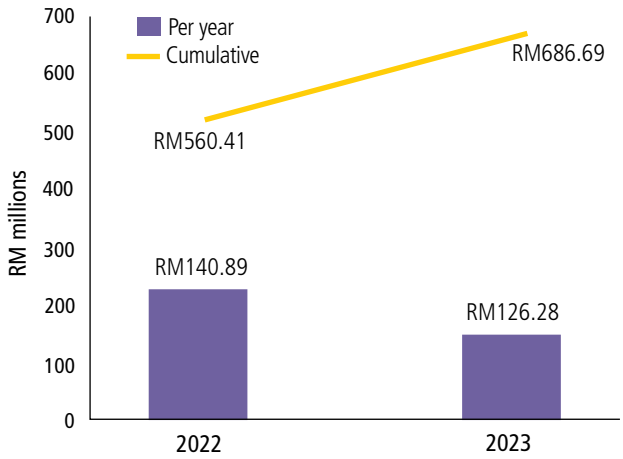


CHART 2
Campaign sizes

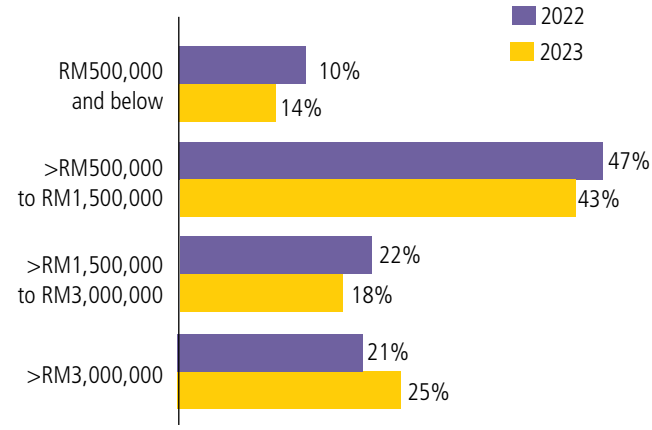


CHART 3
Top 5 sectors by total funds raised

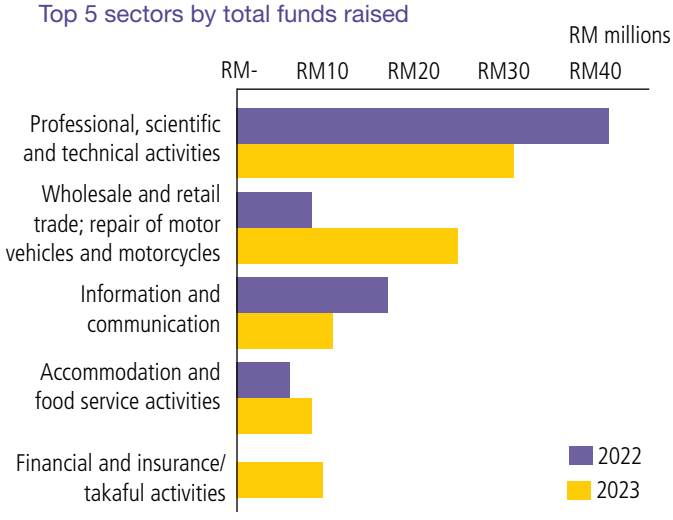
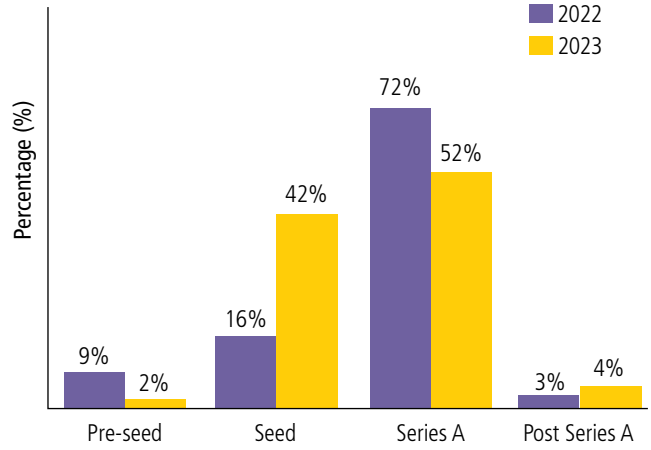


CHART 4
Fundraising stages



[1] Previously reported statistics have been adjusted according to latest reported numbers.

ISSUERS

Since ECF was first established, the total number of issuers has reached 377. Nevertheless, the total number of issuers decreased to 50 in 2023, down from 66 in the previous year. While issuers continued to be mainly from Selangor and Kuala Lumpur, constituting 84% of the total issuers in 2023 (Chart 5), the proportion of issuers with a technology focus slightly decreased to 47%, compared to 57% in the preceding year. Chart 7 illustrates that the majority of issuers in 2023 have been in operation for more than 3 years.

CHART 5
Issuer: Business location

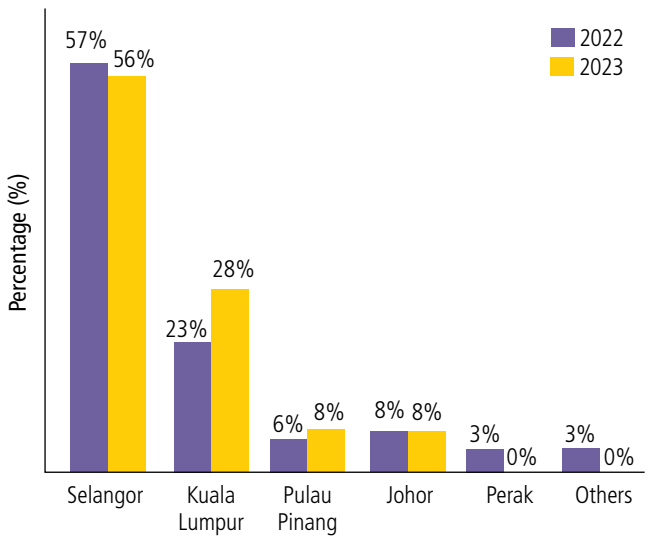


CHART 6
Technology-focused issuers

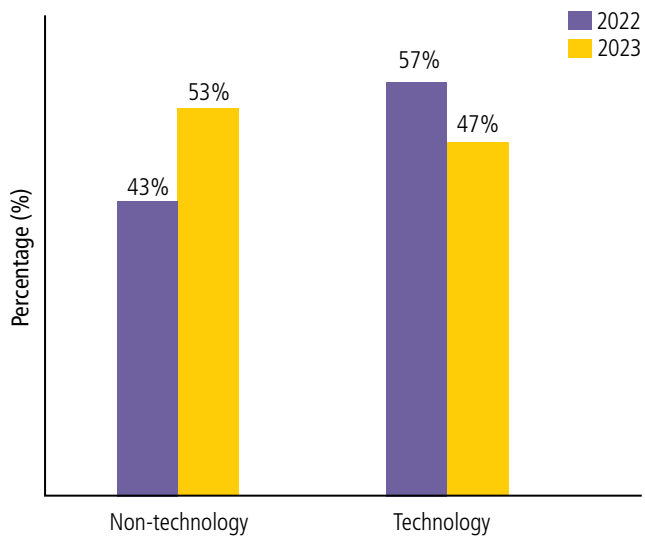
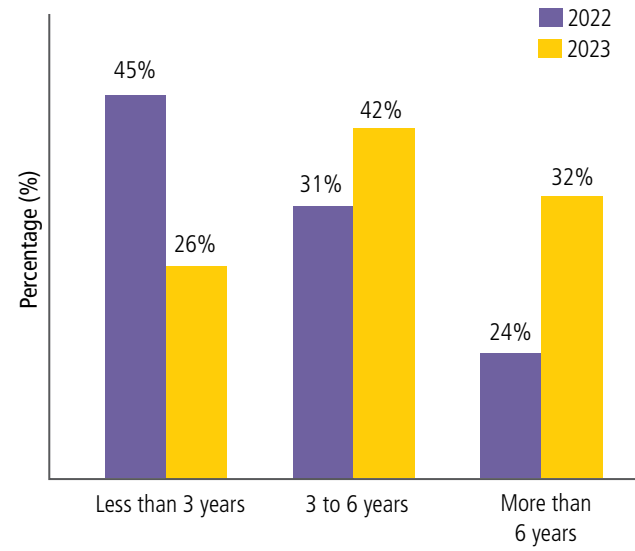


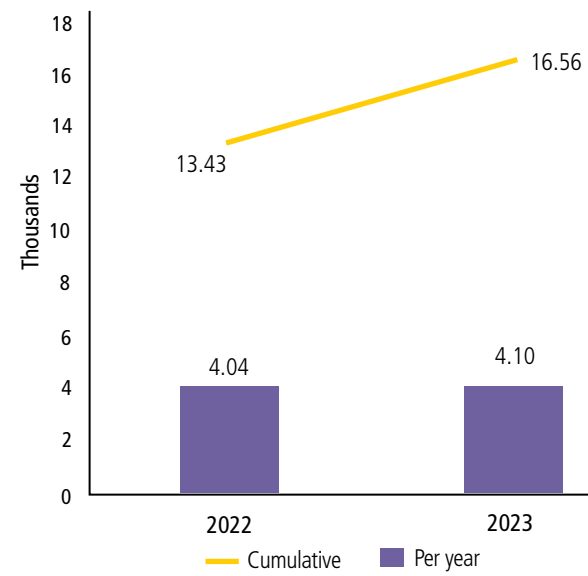
CHART 7
Issuer: Years in business



INVESTORS

Since inception, the cumulative count of participating investors has exceeded 16,000. For a y-o-y comparison, investor participation slightly increased to 4,095 in 2023 from 4,035 in 2022 (Chart 8). First-time investors comprised 76% of ECF investors in 2023.

CHART 8
Investor participation[2]



[2] Investor participation stands for investors that have invested in a campaign.

TABLE 1
Investor demographics

		2023	2022
Nationality	Malaysian	96%	94%
	Foreign	4%	6%
Gender	Female	34%	36%
	Male	66%	64%
Age	Below 35	34%	39%
	35 to 45	36%	34%
	>45 to 55	19%	18%
	Above 55	11%	9%
Type	Retail	56%	57%
	Angel	36%	30%
	Sophisticated – HNWI	5%	10%
	Sophisticated – HNWE and Accredited	3%	3%

PEER-TO-PEER FINANCING[1]

CAMPAIGNS

Since its inception, P2P financing has raised a total of RM5.96 billion via 85,793 campaigns with 15% of the total funds raised contributed by Shariah-compliant campaigns. In 2023, the total funds raised grew by 32% to RM2.09 billion, from RM1.58 billion in 2022 (Chart 1). Likewise, total campaigns in 2023 increased to 31,002 from 24,455 in 2022.

Campaign sizes in 2023 continued to be of smaller fundraising amounts, with 67% of campaigns raising RM50,000 and below (Chart 2). Wholesale and retail trade; repair of motor vehicles and motorcycles remained the largest sector served in 2023, with total funds raised amounting to RM1.12 billion (Chart 3).

CHART 2
Campaign sizes

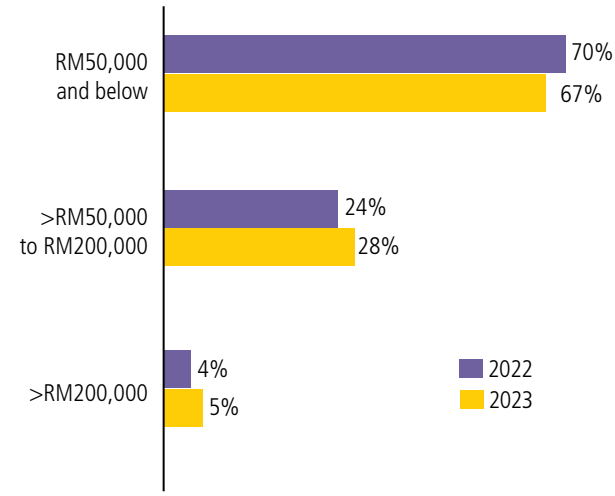


CHART 1
Total funds raised

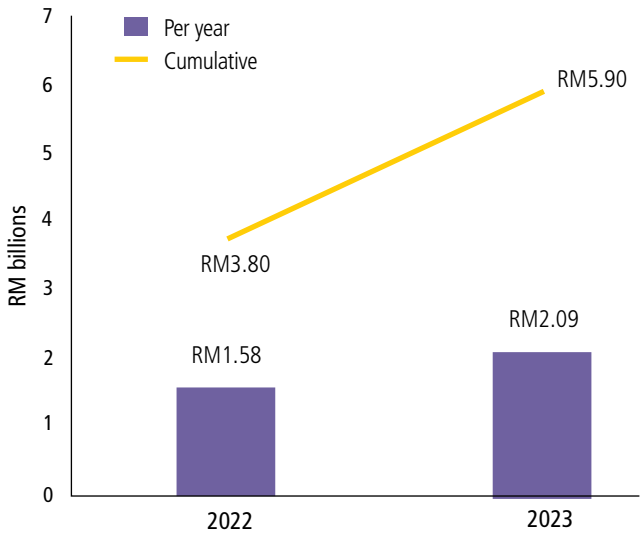
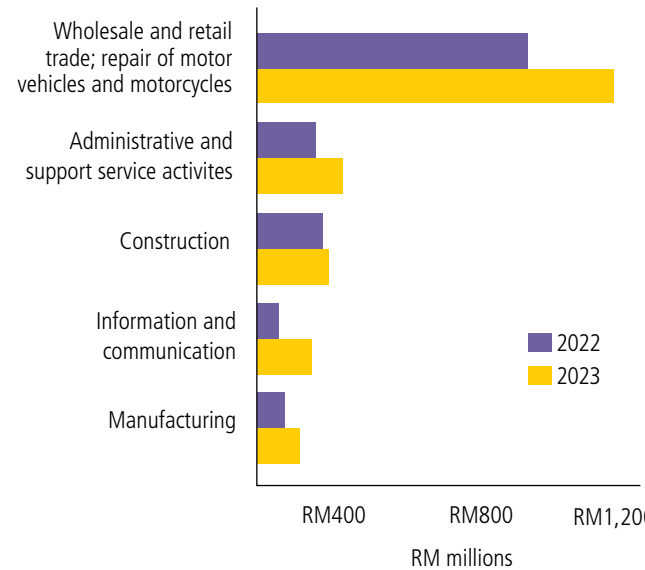


CHART 3
Top 5 sectors by total funds raised



[1] Previously reported statistic has been adjusted according to latest reported numbers.

CHART 4
Financing types

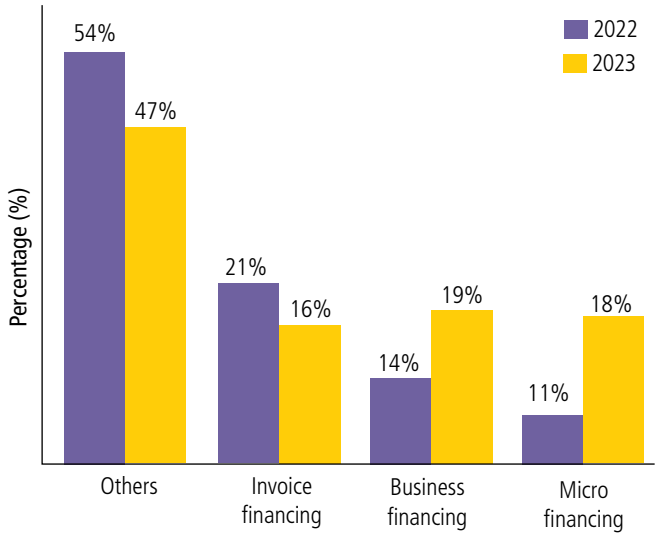


CHART 6
Fundraising purposes

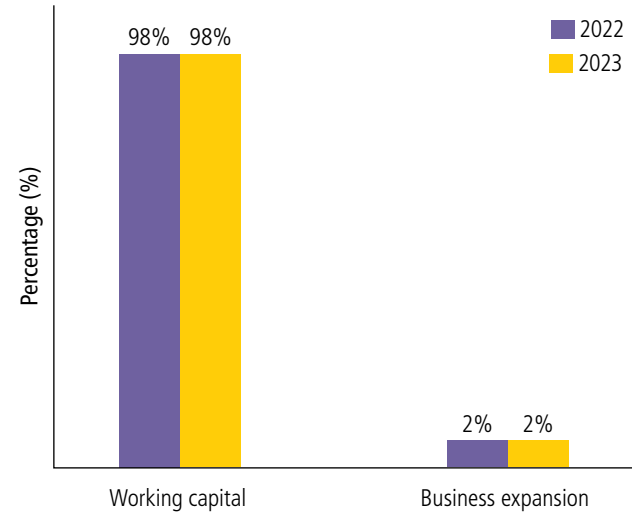


CHART 5
Tenure types

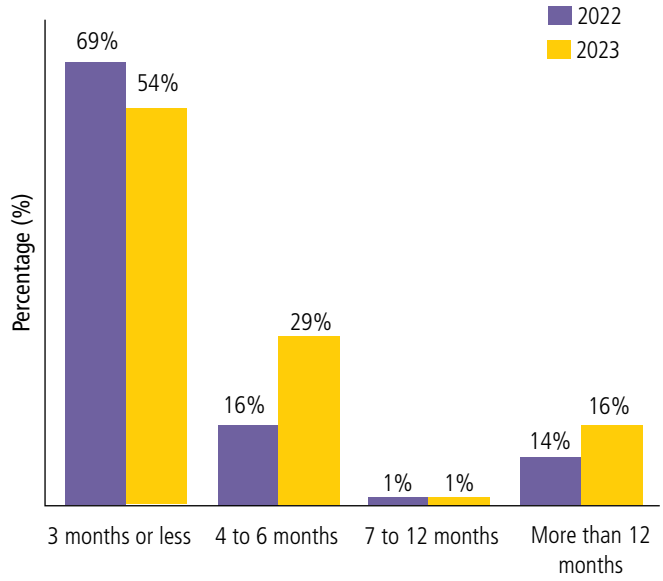
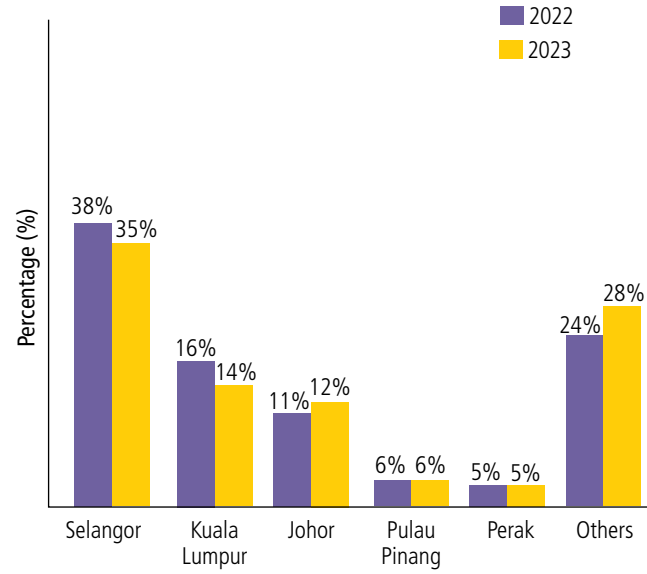


CHART 7
Issuer: Business location



In Chart 4, a significant portion (47%) of investment notes issued in 2023 were categorised as Others[2], comprising distinct product offerings from RMOs. However, investment notes issued for business and micro financing grew to 19% and 18% respectively. The majority of the investment notes were shorter term, with 54% having tenure of 3 months or less (Chart 5). The purpose of fundraising in 2023 continued to be predominantly for working capital (Chart 6).

ISSUERS

As at end 2023, total number of issuers stood at 14,715. In 2023 alone, total number of issuers increased by 42% to 5,355 from 3,767 in 2022. In terms of business location, issuers based in Selangor and Kuala Lumpur continued to be the most served by P2P financing in 2023 at 49% (Chart 7). Non-technology focused issuers

[2] Complete list of other financing types: AP financing, auto dealer program-MUV, business credit line, dealer financing, e-commerce, guaranteed settlement financing, insurance premium financing, short-term financing-NAS, short-term financing-UA, short-term financing-CBB, and working capital financing.

CHART 8
Technology-focused issuers

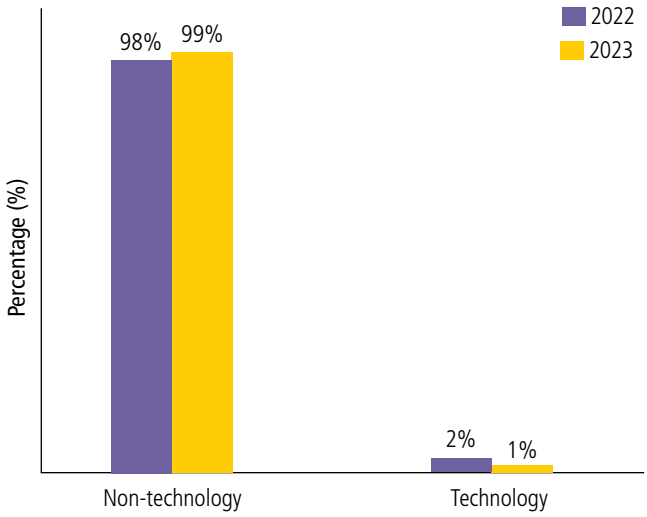
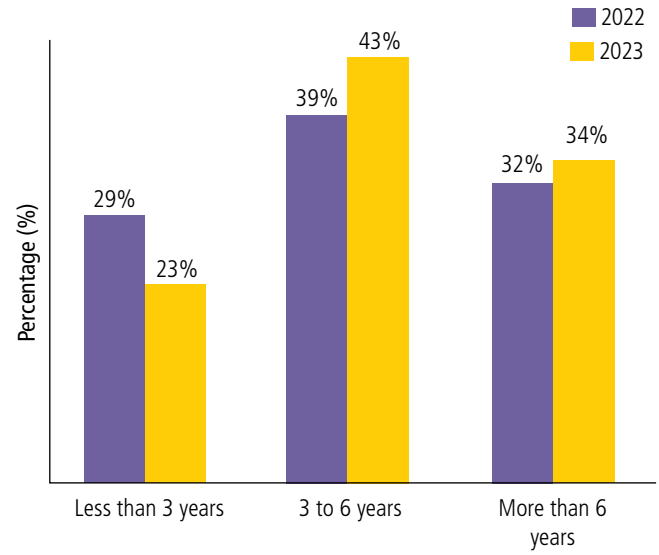


CHART 9
Issuer: Years in business

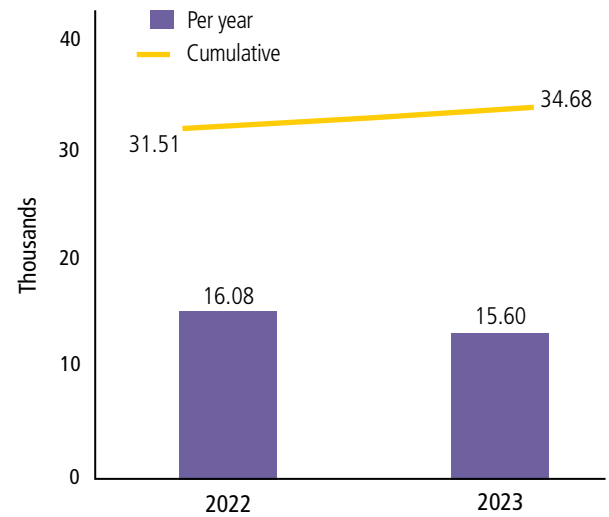


formed 99% of total issuers (Chart 8). As shown in Chart 9, the majority (77%) of issuers have been in operation for more than 3 years.

INVESTORS

As shown in Chart 10, the cumulative count of investors has exceeded 34,000 since P2P financing was first introduced. In 2023, there was a slight dip of 3%, with total number of investors decreasing to 15,599 from 16,080 in 2022. 20% of investors who participated in 2023 were newcomers to the platform.

CHART 10
Investor participation[3]



[3] Investor participation refers to investors who have invested in a campaign.

TABLE 1
Investor demographics

		2023	2022
Nationality	Malaysian	98%	98%
	Foreign	2%	2%
Gender	Female	30%	30%
	Male	70%	70%
Age	Below 35	46%	49%
	35 to 45	32%	31%
	>45 to 55	14%	13%
	Above 55	8%	7%
Type	Retail	89%	89%
	Angel	4%	5%
	Sophisticated – HNWI	6%	5%
	Sophisticated – HNWE and Accredited	1%	1%

ACRONYMS AND ABBREVIATIONS

ABJAD	*Agen Bijak Labur Desa*
ACGA	Asian Corporate Governance Association
ACMF	ASEAN Capital Markets Forum
ACSR	Advisory Committee on Sustainability Reporting
ADB	Asian Development Bank
AGM	annual general meeting
AI	artificial intelligence
AIP	approvals-in-principle
AMLATFPUAA	*Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001*
AMLCFT/PF	Anti-Money Laundering, Countering Financing of Terrorism/ Proliferation Financing
AOB	Audit Oversight Board
APAC	Asia-Pacific
API	application programming interface
APRC	Asia Pacific Regional Committee
ARC	Audit and Risk Committee
ASB	Asia School of Business
ASCM	Association of Stockbroking Companies Malaysia
ASEAN	Association of Southeast Asian Nations
ASEAN SRF	ASEAN Sustainable and Responsible Fund
ASEAN Taxonomy	*ASEAN Taxonomy for Sustainable Finance*
ASIC	Australian Securities and Investments Commission
ATB	ASEAN Taxonomy Board
ATCM	Association of Trust Companies Malaysia
AUM	assets under management
BHC	British High Commission
BICC	Brokerage Industry Consultative Committee
BIX	Bond + Sukuk Information Exchange
BMD	Bursa Malaysia Derivatives
BNM	Bank Negara Malaysia
BSC	Board Sustainability Committee
CCMP	Certified Capital Market Professional
CDS	central depository system
CFD	Contract for Difference
CFO	chief financial officer
CIC	Capital Issues Committee
CMC	Capital Market Compensation Fund Corporation
CMCS	Capital Market Cyber Simulations
CMGP	Capital Market Graduate Programme
CMM	Capital Markets Malaysia
CMP3	*Capital Market Masterplan 3*
CMPC	Capital Markets Promotion Council
CMSA	*Capital Markets and Services Act 2007*
CMSL	Capital Markets Services Licence
CMSR	*Capital Market Stability Review*
CMSRL	Capital Market Services Representative's Licence
COP28	28th United Nations Climate Change Conference of the Parties
CRA	credit rating agency

CTIA	Cyber Threat Intelligence and Awareness
CVC	corporate venture capital
DAC	Digital Asset Custodians
DAX	digital asset exchange
DCE	Dalian Commodity Exchange
DeFi	decentralised finance
DF	Digital Forensics
DIGID	Digital Innovation Fund
DIM	digital investment management
DIS	digital investment services
DLT	distributed ledger technology
ECF	equity crowdfunding
EPF	Employees Provident Fund
ERMC	Executive Risk Management Committee
ESG	environmental, social and governance
ETF	exchange-traded fund
EU	European Union
FTSE	Financial Times Stock Exchange
FBMKLCI	FTSE Bursa Malaysia KLCI
FCNH	mini-United States Dollar and Chinese Renminbi currency futures contract
FEN	Financial Education Network
FIMM	Federation of Investment Managers Malaysia
FMC	Fund Management Company
FPAM	Financial Planning Association of Malaysia
FRC	Financial Risk Committee
FSI	Financial Stress Index
FSOY	soybean oil future contract
FVTPL	fair value through profit or loss
GDP	gross domestic product
GHG	greenhouse gas emissions
GIFP	Global Islamic Finance Program
GLIC	government-linked investment company
GLU	government-linked university
GTRM	*Guidelines on Technology Risk Management*
HNWE	high-net-worth entities
HNWI	high-net-worth individual
IAD	Internal Audit Department
ICDM	Institute of Corporate Directors Malaysia
ICM	Islamic capital market
ICMR	Institute for Capital Market Research Malaysia
ICMTD	Islamic Capital Market Talent Development
IEO	initial exchange offering
IFRS	*International Financial Reporting Standards*
IMF	International Monetary Fund
INCEIF	International Centre for Education in Islamic Finance
IOSCO	International Organization of Securities Commissions
IPO	initial public offering
ISF 2023	InvestSmart® Fest 2023
ISSB	International Sustainability Standards Board
JAKIM	Jabatan Kemajuan Islam Malaysia
JC3	Joint Committee on Climate Change
KKDW	Ministry of Rural and Regional Development (*Kementerian Kemajuan Desa dan Wilayah*)

KPI	key performance indicator
Labuan FSA	Labuan Financial Services Authority
LIP	Leading for Impact Programme
LOLA Framework	Lodge and Launch Framework for Unlisted Capital Market Products
MAS	Monetary Authority of Singapore
MCCG	*Malaysian Code on Corporate Governance*
MCMC	Malaysian Communications and Multimedia Commission
MDEC	Malaysia Digital Economy Corporation
MFRS	*Malaysian Financial Reporting Standards*
MGS	Malaysian Government Securities
MIA	Malaysian Institute of Accountants
MIBA	Malaysian Investment Banking Association
MIFC	Malaysia International Islamic Financial Centre
MITI	Ministry of Investment, Trade and Industry
MOE	Ministry of Education
MOF	Ministry of Finance
MOHE	Ministry of Higher Education
MOU	memorandum of understanding
MR	marketing representative
MSME	micro, small and medium-sized enterprises
MTC	mid-tier company
MyCIF	Malaysia Co-Investment Fund
NAV	net asset value
NETR	*National Energy Transition Roadmap*
NIMP	*New Industrial Master Plan*
NSRF	National Sustainability Reporting Framework
OACP	*Organisational Anti-Corruption Plan*
OECD	Organisation for Economic Co-operation and Development
OJK	Indonesian Financial Services Authority (Otoritas Jasa Keuangan)
ORC	Operational Risk Committee
P2P financing	peer-to-peer financing
PE	private equity
PERKUKUH	*Perkukuh Pelaburan Rakyat*
PIE	public-interest entity
PLC	public-listed company
PNB	Permodalan Nasional Malaysia
PRS	private retirement scheme
RA	regulatory assessment
REIT	real estate investment trust
RM	Ringgit Malaysia
RMO	recognised market operator
RTM	Radio Televisyen Malaysia
SAC	Shariah Advisory Council
SC	Securities Commission Malaysia
SCMA	*Securities Commission Act 1993*
SCMA	*Securities Commission Malaysia Act 1993*
SC-OCIS	Securities Commission Malaysia-Oxford Centre for Islamic Studies
SEC Thailand	Securities and Exchange Commission of Thailand
SEDG	*Simplified ESG Disclosure Guide*
SFI	Sustainability First Initiative
SFWG	Sustainable Finance Working Group
SHC	Safety and Health Committee
SIA	*Securities Industries Act 1983*

SICDA	*Securities Industry (Central Depositories) Act 1991*
SIDC	Securities Industry Development Corporation
SIDREC	Securities Industry Dispute Resolution Center
SIS	Sustainable Investing Standards
SME	small and medium-sized enterprise
SMP	Shariah Mentorship Programme
SRI	sustainable and responsible investment
SRI Roadmap	*Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market*
SRI Taxonomy	*Principles-Based SRI Taxonomy for the Malaysian Capital Market*
SRO	self-regulatory organization
SROC	Systemic Risk Oversight Committee
SSC	Sustainability Steering Committee
SSC Vietnam	State Securities Commission of Vietnam
SSM	Companies Commission of Malaysia
SupTech	Supervisory Technology
TAAM	*Technology and Analytics Masterplan*
TCRC	Technology and Cybersecurity Risk Committee
TMK	Deputy Minister of Finance (Timbalan Menteri Kewangan)
TSC	technical screening criteria
TVET	technical and vocational education and training
UAE	United Arab Emirates
UiTM	Universiti Teknologi MARA
UNCDF	United Nations Capital Development Fund
UniKL	Universiti Kuala Lumpur
UPC	unlisted public company
US	United States of America
UTF	unit trust fund
UTS	unit trust scheme
VC	venture capital
WQ-FF	Waqf-Featured Fund Framework
YA	Year Assessment
y-o-y	year-on-year