

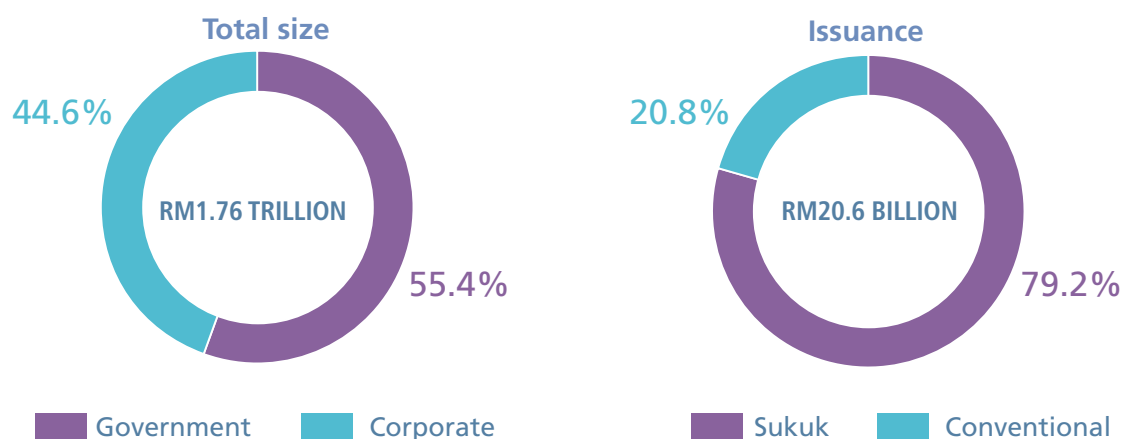
KEY DEVELOPMENTS

HIGHLIGHTS

- As at end of Q1 2022, the size of the Malaysian bond and sukuk market stood at RM1.76 trillion, which represented an increase of 6.7% from the corresponding period in Q1 2021.
- Amendments and revision were made to the *Capital Markets and Services (Private Retirement Scheme Industry) (Amendment) Regulations 2022 (2022 Regulations)*, *Licensing Handbook* and *Guidelines on Unit Trust Funds*.
- As at 31 March 2022, a total of 346 individual auditors and 38 audit firms were registered with the Audit Oversight Board (AOB). Also recognised were 13 foreign individual auditors from 4 foreign audit firms.

CORPORATE BOND AND SUKUK ISSUANCES

BOND AND SUKUK MARKET AS AT END OF Q1 2022: RM1.76 TRILLION



As at end of Q1 2022, the size of the Malaysian bond and sukuk market stood at RM1.76 trillion. This represented a 6.7% increase from the corresponding period in 2021. Government bonds accounted for RM976 billion or 55.4% of total bonds outstanding while corporate bonds constituted the remaining amount of RM787 billion or 44.6%. Total outstanding sukuk stood at RM1.12 trillion or 63.6% of the total bond market (Q1 2021: RM1.04 trillion).

The issuance of corporate bonds amounted to RM20.6 billion in Q1 2022. Of this total, 79.2% comprised sukuk issues while conventional bonds constituted the remaining 20.8%. Total issuance in the corresponding period in 2021 amounted to RM31.8 billion.

Foreign investment in the bond market as at March 2022 amounted to RM259.1 billion, representing an increase of 8.1% from the corresponding period in 2021. Total foreign investment is presently equivalent to 14.7% of total outstanding bonds.

UPDATE ON LAW REFORM AND SECURITIES REGULATION

Amendments pursuant to the Capital Markets and Services (Private Retirement Scheme Industry) (Amendment) Regulations 2022

The *Capital Markets and Services (Private Retirement Scheme Industry) (Amendment) Regulations 2022* (2022 Regulations) was gazetted on 21 January 2022. The 2022 Regulations removed several provisions relating to the operational duties and responsibilities of a PRS Provider and a Scheme Trustee from the *Capital Markets and Services (Private Retirement Scheme Industry) Regulations 2012*.

Pursuant to the 2022 Regulations, the *Guidelines on Private Retirement Schemes* (PRS Guidelines) and *Guidelines on the Registration and Conduct of Capital Market Services Providers* (CMSP Guidelines) were amended to incorporate and give effect to the said provisions. The provisions relating to the duties and responsibilities of the PRS Provider such as acting in the best interest of the members and exercising care and diligence were inserted into the PRS Guidelines. Meanwhile, the duties and responsibilities of a Scheme Trustee including the duty to exercise diligence to identify any breaches committed by a PRS Provider were inserted into the CMSP Guidelines.

Both the revised PRS Guidelines and CMSP Guidelines, together with the 2022 Regulations, took effect on 31 January 2022.

Amendments to the Licensing Handbook

The SC launched the Electronic Application System (EASy) to replace the Electronic Licensing Application

(ELA) System on 22 March 2022. EASy will be implemented in 2 phases. The first phase, which caters to all existing Capital Markets Services License (CMSL) holders, aims for better operational efficiency via, among others, the introduction of the automatic acceptance of certain notices and enhanced system features which allows for real-time payments.

The second phase of EASy aims to cover all persons registered under section 76 and 76A of the *Capital Markets and Services Act 2007* (CMSA) and any new applicants for a CMSL, or registration. The second phase is targeted for implementation towards the end of 2022.

Pursuant to the launch of the EASy, the Securities Commission Malaysia (SC) issued the revised *Licensing Handbook* to facilitate the change in processes under the first phase of implementation. The key objective of these amendments is to provide clarity and consistency throughout the licensing requirements.

Amendments to the revised Guidelines on Unit Trust Funds

Following the issuance of the revised *Guidelines on Unit Trust Funds* (GUTF) in December 2021, the SC accorded a 2-month familiarisation period to the industry whereby the SC received feedback relating to the oversight function by a management company when undertaken by an individual or a committee, clarification sought on the term 'securities equivalent to shares' and requirements relating to the electronic dissemination of information to unitholders. Subsequently, further revisions were incorporated to the GUTF, which was reissued on 1 March 2022 to provide better clarity on the highlighted issues.

MARKET DEVELOPMENT

Sustainable and Responsible Investments

Public Consultation Paper on Principles-based SRI Taxonomy for the Malaysian Capital Market

Following the release of the public consultation on the Sustainable and Responsible Investments Taxonomy (SRI Taxonomy) on 17 December 2021, the SC had undertaken one-to-one engagements with key stakeholders including relevant ministries and agencies to better understand how the SRI Taxonomy can support the national sustainability agenda.

In addition, the SC also participated in a virtual roundtable session on the SRI Taxonomy organised by the CFA Society Malaysia on 14 March 2022, to seek feedback and encourage participation from the CFA Society Malaysia members in the SC's public consultation exercise.

Subsequent to the closing of the public consultation on the SRI Taxonomy on 31 March 2022, the SC will consolidate the public feedback to be further deliberated and where appropriate, to be incorporated in the final SRI Taxonomy.

Modification to a futures contract at the derivatives exchange: Gold futures

On 10 March 2022, the SC granted Bursa Malaysia Derivatives (BMD) Approval-in-Principle (AIP) for modifications to the Gold Futures contract. The modified Gold Futures contract (quanto) will be quoted in US dollars and at settlement, a fixed multiplier is used. The significance of this feature is that there is no need to further convert the USD/MYR middle rate published by Bank Negara Malaysia (BNM) to obtain an MYR value i.e. no forex adjustment. In essence, the quanto's design minimises foreign currency risk as there is no conversion from one currency to another.

Given that the modified Gold Futures contract will be quoted in US dollars, BMD is also seeking approval from BNM as required under *Foreign Exchange Policy* rules.

Enhancement to structured warrants framework

The SC worked together with Bursa Malaysia and market participants to refine the structured warrants framework in Malaysia, focusing on the product parameters. The objectives are to facilitate a greater variety of structured warrants' issuances to meet investors' appetite, and to further enhance the attractiveness of the Malaysian structure warrants market.

In addition, to further improve market efficiency and liquidity, the obligations imposed on market makers were also tightened. These market makers are required to be present in the market at least 80% of the trading hours, and provide a narrower price spread of 10 bids as well as maintain the continuous bid-ask offer at a higher volume of at least 5,000 units. The initiatives were approved by the SC in November 2021 and will be implemented in stages in 2022.

Exclusion of exchange-traded funds conducted under Permitted Short Selling from the net short position limit

As part of market control, short selling activities conducted under the Regulated Short Selling (RSS) and Permitted Short Selling (PSS) are subject to a 10% net-short position limit. Given that issuances of exchange-traded funds (ETFs) in recent years are in small sizes, the net-short position limit which is calculated based on the outstanding units of ETFs could be easily hit. Market makers thus are facing difficulties in market making ETFs involving PSS, as they will have to halt or slow down their ETF market making activities when the net-short position limit is nearing 10%.

On 7 March 2022, the SC granted approval-in-principle to Bursa Malaysia Securities for its proposal to exclude ETFs conducted under the PSS from the 10% net-short position limit, having considered that ETFs are open-ended funds and ETF market makers' PSS activities are conducted through designated accounts with close monitoring from Bursa Malaysia. Bursa Malaysia Securities will submit the necessary amendments to the rules to the SC to implement the proposal.

CORPORATE GOVERNANCE INITIATIVES

Development of a Corporate Governance Toolkit for Small and Medium Enterprises

The development of the *Corporate Governance Toolkit for Small and Medium Enterprises* (The Toolkit) is one of the initiatives under the SC's *Corporate Governance Strategic Priorities*. As small and medium enterprises (SMEs) continue to scale up their businesses, the need for corporate governance practices including effective risk management, stakeholder management and integration of ESG considerations becomes critical. The Toolkit aims to support SMEs in adopting good governance practices from the get-go and support sustainable, balanced and inclusive socio-economic development in Malaysia.

The SC sought and secured the support of the Kementerian Pembangunan Usahawan dan Koperasi (KUSKOP) to drive the implementation of this initiative, in line with the aspirations and targets of the *12th Malaysia Plan*.

In January 2022, the SC formed the SME Governance Working Group (Working Group) comprising representatives from KUSKOP, SME Corporation Malaysia and the Malaysian Institute of Corporate Governance. The Working Group serves to identify the governance needs of SMEs, provide technical and strategic input on the development and promote the adoption of the Toolkit by SMEs.

Meeting of the OECD Corporate Governance Committee

The SC participated in the Organisation for Economic Co-operation and Development's (OECD) 42nd Corporate Governance Committee held virtually from 24 to 25 February 2022. The meeting focused on the ongoing review of the G20/OECD Principles of Corporate Governance (Principles).

The SC was invited to provide views in relation to the role of board committees in corporate governance. Among the issues highlighted by the SC include the need for the Principles to address the structure of board committees, particularly on the factors that should be considered by companies to determine if a committee should be a stand-alone or combined committee. A common example of the latter is the Audit and Risk Committee. The committee will be reviewing the first draft of the revisions to the Principles. The OECD is targeting to release the revised Principles in 2023.

SC Organisational Anti-Corruption Plan

The SC continued to foster and inculcate a culture of ethics and integrity within the organisation. The SC OACP was established in line with the *National Anti-Corruption Plan* (NACP)¹ requirement to enhance the SC's transparency and accountability among the SC's employees.

A total of 29 action items were identified under the SC's OACP. As at 31 March 2022, a total of 21 action items have been completed while the remaining items are work in progress. One of the action items was the issuance of the *Compliance and Ethics Handbook* completed in Q1 2022 to guide and assist the SC's employees in understanding the key compliance obligations with the internal governance standards to carry out their duties in an ethical and professional environment.

¹ On 29 January 2019, the Government launched the NACP 2019-2023 with the objective to make 'Malaysia known for her Integrity and not corruption' and build a corrupt-free nation that upholds transparency and accountability.

AUDIT OVERSIGHT BOARD ACTIVITIES

As of 31 March 2022, a total of 347 individual auditors and 37 audit firms were registered with the AOB. Also recognised were 11 foreign individual auditors from 4 foreign audit firms. During Q1 2022, the AOB team completed inspections on 6 audit firms.

DEVELOPMENT OF ISLAMIC CAPITAL MARKET

SC-UNDP Islamic Finance International Conference 2022

The SC and United Nations Development Programme (UNDP Malaysia), along with the Islamic Development Bank Group (IsDB), Islamic Banking and Finance Institute Malaysia (IBFIM), and Chartered Institute of Islamic Finance Professionals (CIIF) held a fully virtual Islamic Finance International Conference on 24 and 25 February 2022. Themed 'Connecting the Dots: Harnessing Islamic Finance to Accelerate the Achievement of the SDGs', the Conference was the second collaboration between the SC, UNDP and IsDB.

The Conference emphasised the appeal of Islamic finance in terms of its ability to promote inclusion and stability, as well as its potential to expand the footprint

of socially responsible and impactful investments. The use of technology to support Islamic finance in facilitating greater inclusion was also deliberated.

Approximately 550 local and international delegates comprising development practitioners, policymakers, regulators, and experts attended the Conference, to explore policy, regulatory and institutional challenges and opportunities.

Shariah-compliant securities review

In Q1 2022, the SC reviewed the Shariah status of 3-pre IPO applications, 185 listed securities, and 2 new securities on the LEAP Market.

INVESTOR EMPOWERMENT PROGRAMMES

The SC continues to focus on digital media, television, and radio as a means to reach out to the public with its investor education initiatives in view of the COVID-19 pandemic. The initiatives conducted by InvestSmart® during Q1 2022 are as follows:

- (a) **InvestSmart® Online Series:** Monthly webinars for the public to gain knowledge on the basics of capital market products and services which also serve as a guide for the public on how and where to invest.

A total of 293 individuals participated in the following 3 webinars:



- (b) **Digital Literacy for Seniors Programme:** Due to the impact of the MCO on business operations, there was concern that the 'silver hair' population may face certain challenges in embracing technology, particularly in using digital financial services.

In Q1 2022, the SC organised 2 webinars under the Digital Literacy for Seniors Programme, which were attended by a total 135 participants.



(c) **Financial Education Network Initiatives**

- (i) **Financial Literacy Webinar for School Principals and Headmasters:** Following a request from the Ministry of Education (MOE) during the Financial Education Network's (FEN) High-Level Steering Committee meeting held on 28 June 2021, the SC, in collaboration with MOE and Institut Aminuddin Baki (IAB), organised a series of financial literacy webinars for school principals and headmasters.

A total of 944 school principals and headmasters participated in 3 webinars.



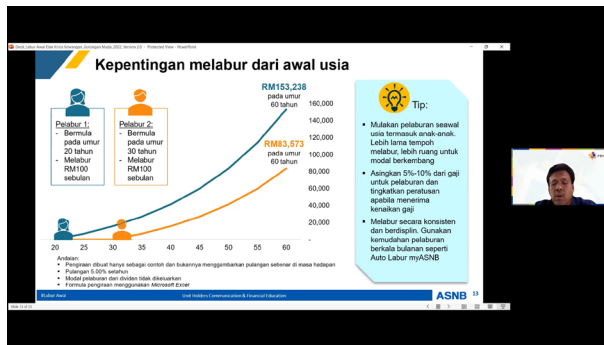
- (ii) **Pilot FEN Youth Social Experiment:** In Q1 2022, both the SC and Bank Negara Malaysia (BNM) conducted 4 webinars in conjunction with the pilot social experiment carried out by FEN. The objective of the social experiment is to determine the effectiveness of the interventions and to identify why students seem to fall prey to scams. A total of 956 university students attended the webinars.
- (iii) **Outreach To Pre-School Children and Rural Community in Partnership with Jabatan Kemajuan Masyarakat (KEMAS):** A pilot programme commenced in Pahang to provide basic financial education to pre-schoolers aged between 4 to 6 years old and to elevate the financial literacy of parents and teachers in the rural communities. This is an inter-agency collaboration between the SC, KEMAS, Bursa Malaysia Bhd, and Bank Simpanan Nasional.

(d) **Events in conjunction with Global Money Week 2022**

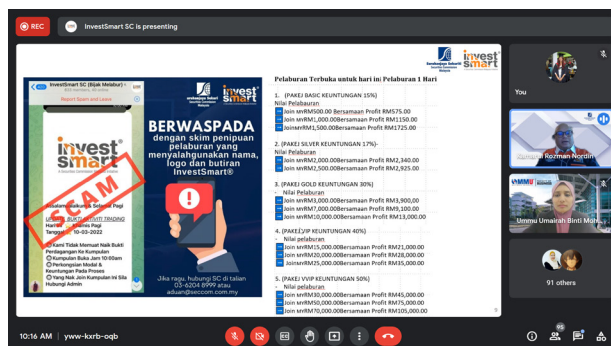
The Organisation for Economic Co-operation and Development/International Network on Financial Education (OECD/INFE) organised the Global Money Week (GMW) 2022 from 21 to 27 March 2022 with the theme 'Build your future, be smart about money'.

GMW is a global campaign held annually to raise financial awareness among the youth. This is to ensure that they acquire the necessary knowledge, skills, attitudes, and behaviours to make informed financial decisions and ultimately achieve financial well-being and resilience. Since its inception in 2012, GMW has reached 40 million children and youth in 175 countries worldwide through workshops, conferences, media campaigns, study visits, and exhibitions by participating organisations in their respective countries.

- (i) In conjunction with GMW 2022, the SC invited Amanah Saham Nasional Bhd (ASNB) to conduct a webinar titled *'Labur Masa Muda, Senang Masa Tua'* to educate the public on the importance of savings and to start investing young. The webinar was organised via the InvestSmart® Online Series webinar on 24 March 2022.

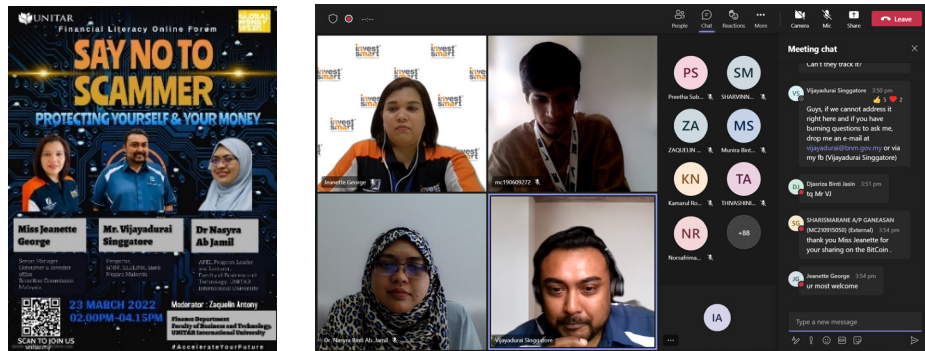


- (ii) On 21 March 2022, the SC was invited by the Multimedia University (MMU) to conduct an online seminar on *'Silap Labur, Duit Lebur'*. This seminar was organised by the Faculty of Business of MMU and was attended by 89 diploma students.



- (iii) The SC was also invited to be a panellist at the UNITAR International University (UNITAR) online forum titled 'Say No to Scammer! – Protecting Yourself and Your Money' on 23 March 2022.

The online forum aimed to elevate financial literacy and awareness and to enable recognition and prevention of scams among students, staff members and the community. The SC's presentation titled 'Avoid Investment Scams: Learn How' was attended by 147 students and staff members of UNITAR.



- (iv) The SC, in collaboration with the Securities Industry Dispute Resolution Centre (SIDREC) and the Ministry of Communication and Multimedia Malaysia, issued 2 Public Service Announcements (PSA) in the form of news crawlers and radio announcements on all local tv and radio stations between 21 to 27 March to increase awareness among the Malaysian public in relation to the capital market dispute resolution platform provided by SIDREC.
- (v) Finally, several social media postings were made on InvestSmart®'s Facebook, Instagram, and Twitter throughout the week of 21 to 25 March 2022. The messages disseminated were in line with the theme for the year 'Build your future, be smart about money'.



- (e) **My Money & Me Programme 2022 by the Malaysia Financial Planning Council (MFPC):** The SC once again participated in MFPC's online 'My Money and Me' Programme for 2022. For Q1 2022, the SC participated in 1 workshop titled '*Silap Labur, Duit Lebur*', which was held on 26 March 2022 for participants in Kuala Lumpur. The workshop was attended by 707 participants.



- (f) **Other InvestSmart® Initiatives:** InvestSmart® took part in a virtual speaking engagement organised by MADFIN 2022 to empower youths through financial literacy programs and published an advertisement in The Badan Kebajikan Kakitangan Melayu Dewan Bandaraya Kuala Lumpur (BKMDBKL) to raise awareness on how not to fall prey investment scams and to promote knowledge on the SC and InvestSmart®.