



CHAIRMAN'S MESSAGE

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As Chairman of the Securities Commission Malaysia, it is with great pleasure that I present our Annual Report for the year 2022.

Malaysia's RM3.6 trillion capital market remained resilient in 2022, a year marked by heightened global market volatility and strong headwinds across multiple asset classes. In fact, total funds raised of RM179.4 billion is the highest ever, led by a record amount of corporate bond and sukuk issuances. Exchange-traded derivatives also registered a record volume of 18.8 million lots traded. However, overall weaker valuations resulted in a dip of assets under management (AUM) to RM906.5 billion.

These contrasting observations highlight the delicate balance between pursuing growth and adopting prudence in the face of uncertainties. Continued trust and confidence in Malaysia's fundraising and investment environment depends on how these elements are managed by market stakeholders.

I also feel strongly that it is important for the SC to engage and communicate transparently. Dialogues and consultations are useful channels to set expectations on both regulatory and developmental matters. Investor engagement is another crucial aspect to ensure well-informed and empowered investors that are less vulnerable to scams and other unlicensed activities.

PROMOTING PRUDENT MARKET BEHAVIOUR

The continued resiliency of the Malaysian capital market highlights the value of exercising prudence and shared accountability. This approach allows the market to better manage risks, preserves overall financial resilience and stability, and supports economic growth.

It entails undertaking continuous surveillance and supervisory audits as well as thematic assessments on licensed intermediaries and institutions to ensure the robustness of market infrastructure and industry processes. Where necessary, additional guidance is provided for emerging risks including managing environmental, social and governance (ESG) risks for fund management companies (FMCs).

Domestic institutional fund practices were strengthened in 2022 with the release of good governance principles for government-linked investment companies (GLICs), in line with national objectives, and an updated *Malaysian Code for Institutional Investors 2022* (MCII 2022). Public-listed companies (PLCs) will also be expected to account for their sustainability risks under Bursa Malaysia's Enhanced Sustainability Reporting Framework for Listed Issuers.

In addition, the SC will remain vigilant and take tough actions to address market misconduct or manipulation. During the year, our enforcement actions covered insider trading, issuance of false statements and unlicensed activities, among others. Intermediary licenses were also revoked in instances of serious regulatory breaches.

REALISING PROGRESSIVE OUTCOMES

It is vital that the industry and market ecosystem remain progressive and proactive in line with external and domestic developments. As policymakers, it is also essential for the SC to foster such conditions by ensuring our regulatory frameworks are aligned with the fast-changing landscape.

Key development highlights in 2022 include the release of the Sustainable and Responsible Investment-Linked Sukuk Framework and *Principles-Based SRI Taxonomy for the Malaysian Capital Market* (SRI Taxonomy) to spur the corporate transition to a greener and more sustainable future. Enhanced venture capital (VC) and private equity (PE) guidelines to increase the vibrancy and accessibility of private markets for MSMEs also took effect in the second half of the year. In addition, the SC issued investment advisory guidelines to expand the profession's diversity and quality, with a technical note on digital investment advice to address new delivery platforms.

Technological innovation is also transforming the underlying market structure. In October 2022, the SC

announced digital-related initiatives for the capital market. These include permitting new equity crowdfunding (ECF) and peer-to-peer financing (P2P financing) platforms with unique value propositions, as well as opening up to more digital asset exchanges (DAX).

MOVING FORWARD

2023 will likely offer a different set of opportunities, headwinds and risks for the capital market. The environment ahead is anticipated to be challenging but we remain committed to building a relevant, efficient and diversified capital market. This entails measures to future-proof the underlying market infrastructure and strengthen our thought leadership role, while enhancing market breadth and depth as well as technology adoption. Internally, the SC will also strive towards cultivating a sustainable and high-performing culture.

Future-Proofing the Capital Market

For our regulations to remain fit-for-purpose, we intend to modernise two key regulatory pillars – the *Capital Markets and Services Act 2007* (CMSA) and the *Securities Commission Malaysia Act 1993* (SCMA). This will provide the basis for a future-ready Malaysian capital market.

At the same time, it is also essential to develop a ready pool of highly skilled capital market professionals to address resource limitations that have held back the market's progress. In this regard, we will be working closely with industry stakeholders to operationalise the Capital Market Graduate Programme (CMGP) to nurture and retain prospective talent.

Advancing the Sustainability Agenda

A key priority is advancing the ESG agenda. Given the impending release of global sustainability-related disclosure standards, it is vital to develop a domestic framework to facilitate adoption. The SC intends to work closely with government ministries, agencies, and other stakeholders to shape a country-level plan, including developing a supportive ecosystem for sustainability disclosures.

There is also a great deal of potential to be unlocked in the Islamic capital market (ICM) via innovative product

offerings that facilitate sustainable as well as socially beneficial outcomes. Given Malaysia's position as a leading Islamic thought leadership jurisdiction, it is essential to demonstrate the value of Shariah objectives in enhancing sustainability practices. We are in the process of shaping a comprehensive set of *maqasid al-Shariah* principles to provide a guiding pathway for further growth of the ICM. Stakeholder consultations on these principles will begin in late 2023.

Enhancing Market Breadth and Depth

The growing private market segment will be essential for future nation-building, particularly in channelling risk capital to support MSME growth. Therefore, measures to strengthen the alternative fundraising ecosystem to facilitate larger fundraising amounts and build specialised capacity and capabilities will be initiated. In addition, the entry of new ECF and P2P platforms in 2023 is expected to enhance the diversity of alternative fundraising products and services.

In terms of the public market, we will be working with Bursa Malaysia to facilitate the transfer of eligible companies from the LEAP Market to the ACE Market.

The SC is also undertaking a comprehensive review and assessment of the public market as well as established market segments such as fund management towards enhancing their resilience and attractiveness.

Facilitating Technology Adoption

We intend to review our digital assets strategy with a view to reinforce this segment's proposition and direction moving forward. Initiatives such as the Digital Innovation Fund (DIGID) and Islamic Fintech Accelerator Programme (FIKRA) are aimed at catalysing greater utilisation of financial technology within the capital market ecosystem, with DIGID slated to start funding its first batch of qualifying solutions in 2023.

In order to support technology adoption, we will also strengthen the management of technology and cyber risks by capital market entities.

Concurrently, it is important to step up ongoing initiatives to enhance the digital literacy of retail investors towards strengthening protection of the more vulnerable. This includes digital clinics for the Urban B40 and seniors, as well as programmes for rural communities.

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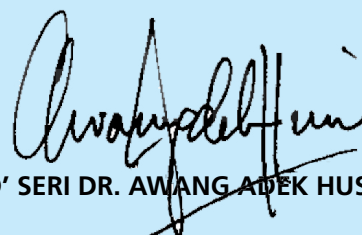
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Transforming to a High-Performing Organisation

It is absolutely essential that the SC keeps pace with the rapid changes and complexity of today's markets. Talent retention and training are also key to ensuring we meet the high standards demanded. A corporate scorecard is being developed as a first step towards shaping a well-recognised, sustainable and high-performing organisation. This will be supplemented by upskilling and learning programmes for staff to enhance competencies.

Efforts are also underway to upgrade capabilities to handle the shift to a digital world. This includes increasing the use of technology for supervision and enforcement.

In my first year as SC Chairman, I have had the privilege of working with a very diverse, experienced and insightful Board and, not forgetting, all staff members of the SC. Thank you for the support and advice provided to ease my transition into this role. As the SC turns 30 in 2023, I am confident that the SC team as a whole will continue to display the same level of dedication and steadfastness they have shown throughout the years. Combined with strong support and co-operation from industry players, we can only bring the Malaysian capital market to greater heights.



DATU' SERI DR. AWANG APEK HUSSIN