

- Digital currencies that are backed by usurious items (i.e. gold, silver, currency and other usurious items) where such kind of digital currencies are categorised as usurious items (*amwal ribawiyah*). Therefore, trading of such digital currencies is subject to the principle of currency exchange or other Shariah requirements of usurious items.

Meanwhile the scope of the SAC resolution on digital tokens provides that the following requirements must be fulfilled to determine the Shariah status of digital tokens:

- The utilisation of proceeds raised from the issuance of digital tokens must be for Shariah-compliant purposes, and the rights and benefits attached to digital tokens must be Shariah-compliant; and
- The existing SAC resolution on the utilisation of sukuk proceeds and the business activities benchmark under the Shariah screening methodology for listed companies are applicable in the event that the utilisation of proceeds and the entitlement of rights and benefits of digital tokens are for Shariah-compliant and Shariah non-compliant purposes.

If a digital token is backed by usurious items, the trading of such digital token is subject to the Shariah requirements for trading of usurious items.

This SAC resolution marked a significant milestone for the ICM community to facilitate greater product innovation and development in digital assets, and in turn, attract broader participation and provide alternative channels for Shariah-compliant fundraising.

Promoting Fintech Developments and Innovations

The SC continued to enhance awareness of new fintech developments and innovations by holding its seventh SCxSC Annual Fintech Conference (SCxSC) from 5 to 7 October 2020. Held virtually for the first time, SCxSC expanded its reach to a wider audience,

attracting more than 7,000 registered participants from diverse backgrounds and locations. Through the digital platform, participants could engage in panel discussions and interact with exhibitors and other participants. Moving forward, the SC will continue to explore other innovative channels to help broaden its engagement and educational efforts across the investor and issuer community.

Collaborating with Regional Regulators on Fintech Initiatives

As part of the SC's ongoing efforts to collaborate with other regional and global peer regulators through Fintech Co-operation Agreements, the SC entered into a new Fintech Bridge agreement with the Indonesian financial regulator, Otoritas Jasa Keuangan (OJK) on 24 August 2020. The agreement sets out a mechanism between both regulators to refer innovative businesses that wish to operate in the other's jurisdiction. It also covers any future joint-innovation projects and regular information sharing between both regulators on any emerging developments or regulatory issues in the fintech space.

DIGITISING THE CAPITAL MARKET AS AN ENGINE FOR GROWTH





The adoption of digitisation has emerged as one of the main themes for the capital market in 2020. This was evident during the SC's engagements with the capital market industry, specifically the Brokerage Industry Digitisation Group (BRIDGe) and the Fund Management Industry Digitisation Group (FMDG).

Accelerating Digitisation in the Broking Industry

In 2020, BRIDGe, the multi-stakeholder working group chaired by the SC to accelerate digitisation in the broking industry, completed most of the initiatives to facilitate the recommendations outlined by the working group in 2019. Table 1 summarises the implementation efforts since its inception in August 2018.

TABLE 1

BRIDGe implementation efforts since its inception in August 2018

Focus areas	2019	2020
 <p>BRIDGe recommendations</p>	<ul style="list-style-type: none"> Finalised working group recommendations Engaged brokerage industry associations and leaders 	<ul style="list-style-type: none"> BRIDGe website went live, outlining recommendations and implementation progress updates
 <p>Digitising onboarding</p>	<ul style="list-style-type: none"> Enabled Participating Organisations (POs) to offer non-face-to-face verification for online trading and CDS account opening 	<ul style="list-style-type: none"> Enabled Bursa to remove wet signature for CDS account opening Bursa Malaysia implemented CDS account opening feature
 <p>Digitising post-trade and settlement</p>	<ul style="list-style-type: none"> Mandated email addresses for new and online investors Issued a consultation paper on the proposed way forward to enable higher online settlement limits 	<ul style="list-style-type: none"> PayNet completed enhancements to enable higher settlement limit
 <p>Digitising corporate actions</p>	<ul style="list-style-type: none"> Mandated issuers to provide shareholders with electronic options to convert shares, subscribe to rights and dividend reinvestment plans (DRP) 	<ul style="list-style-type: none"> Enhanced collection of email addresses for investors and shareholders Facilitated virtual and hybrid general meetings and digitised general offers Enabled share registrars to offer e-dividend reinvestment plan (e-DRP) Enabled online investors to continue trading shares undergoing share consolidation exercises

Digitising client onboarding

To provide investors with a fully digital onboarding experience, BRIDGe recommended for the industry to enable non-face-to-face verification mechanisms and the ability to facilitate the online opening of CDS accounts.

Following from the 2019 rule amendments in relation to non-face-to-face client verification mechanism, the SC has approved further amendments to the *Rules of Bursa Depositories Sdn Bhd*. The new amendments provided an alternative to wet signatures for CDS account opening by enabling application submissions through CDS e-Services. Additionally, in June 2020, Bursa Malaysia offered investors the avenue to open CDS accounts online through the Bursa Anywhere application.

Digitising post-trade and settlement

To reduce the use of cheques and further encourage cashless transactions by investors when settling trades, BRIDGe recommended for the industry to be enabled with higher online settlement limits.

Subsequent to the SC's consultation with the industry in 2019, which identified the need to increase the daily online settlement limit, Paynet enhanced its FPX Merchant Specific Higher Transaction Limit payment solution to facilitate the necessary controls required for stockbrokers to offer higher settlement limit up to RM100,000. To mitigate potential fraud risks, necessary regulatory guidelines and operating procedures will be amended in 2021, in close consultation with relevant industry associations.

The revision would include additional control requirements for both the banking and capital market participants.

Digitising corporate actions

BRIDGe also recognised the need for advancements in electronic processes surrounding corporate actions to encourage more investor participation. This entails efforts to strengthen e-notification, e-subscription and e-payment capabilities. It also enables online investors to continue trading shares undergoing share consolidation exercise through the cessation of online trading blocks by stockbrokers. The need for e-corporate actions became more apparent at the height of the movement control restrictions, which impeded share registrars' ability to effectively carry out the requisite processes through conventional means such as notifying investors of corporate actions, printing and delivering physical forms to investors, as well as holding physical AGMs.

The BRIDGe membership expanded in 2020 to include a broader pool of share registrars and the investment banking community following the MCO. The working group convened regularly to deliberate potential areas of corporate actions for digitisation and formulate measures including the regulatory guidance to ensure continuity of corporate actions during the operational disruptions and technological advancements in conventional processes moving forward.

Other initiatives and outcomes from efforts to digitise corporate actions include the following:

- Collective effort to update and register shareholders' email addresses. Bursa, stockbrokers and share registrars collectively stepped up campaigns to encourage shareholders to register their email addresses with Bursa Malaysia. As of end December 2020, a total of 1,117,105 CDS accounts have registered their email addresses with Bursa Malaysia, 53% of total CDS accounts to date. This is an increase from 45.3% as at end April 2020.
- Enabling share registrars and Bursa Malaysia to offer e-DRP. With the support of the Inland Revenue Board of Malaysia, the SC facilitated eight share registrars and authorised Bursa Malaysia to collect stamp duty as part of DRP offerings. Moving forward, investors can subscribe to e-DRP offerings and make online payments for stamp duty without the need to physically purchase revenue stamps at the post office. This is expected to improve the subscription rate of DRP exercises.

Accelerating Digitisation in the Fund Management Industry

The SC launched the Fund Management Industry Digitisation Group (FMDG) in November 2019 to accelerate the digitisation of the fund management industry to help enhance investors' digital experience and improve the overall operational efficiency of the industry. The FMDG working group comprises members from the SC, BNM and industry members representing fund distributors, fund managers and trustees. FMDG is made up of the digital onboarding workgroup and the fund management services workgroup.

Recommendations identified and implemented in 2020 included:

- Enabling higher online settlement limit for the fund management industry, in tandem with the brokerage industry.
- Increasing the use of electronic transfer for income distribution. Most firms in the fund management industry have reduced the use of cheques but a few have retained it. In this regard,

the SC has engaged several fund management companies¹ (FMCs) with high usage of cheques, and have gathered their commitments to move towards e-distribution or auto-reinvestment from 2021 onwards.

- Enhancing information sharing for improved decision-making. FMDG has facilitated the publishing of NAV prices online via FIMM's amendments to its Investment Management Standard. This enabled current and relevant information to be hosted and updated on its website for access by relevant stakeholders.

FACILITATING GROWTH OPPORTUNITIES FOR MARKET INTERMEDIARIES

To strengthen the competitiveness of capital market intermediaries, the SC continues to develop regulatory frameworks that are facilitative and responsive to enable the intermediaries to grow beyond traditional product offerings and business models.

FUND MANAGEMENT INDUSTRY DIGITISATION GROUP

...aims to facilitate collaboration between regulators, industry associations, asset management companies, banks and other stakeholders to accelerate the digitisation of the fund management industry

Two working groups were created to achieve this objective

Digital Onboarding



To improve retail investors' experience when investing in domestic collective investment schemes

Fund Management Services



To increase convenience and ease of access for retail investors



To digitise and streamline post-trade and settlement processes

¹ The fund management companies engaged are Affin Hwang Asset Management, Eastspring Investments, Principal Asset Management and Saham Sabah.