



PART 1 ENABLING SHARED VALUE GROWTH

INTRODUCTION

Following greater recognition of the global impact of various economic, social and environmental issues, the clarion call for more inclusive, sustainable and equitable economic growth has amplified. There is now a greater need for companies to consider longer-term interests of society and the environment in their business models and decisions.

The concept of creating shared value¹ outlines that both economic and social value growth can be achieved as long as companies are willing to reconceive products and markets to cater to unmet needs, redefine productivity in the value chain to improve resource utilisation and enable community or ecosystem development.

Within the context of Malaysian capital market development, this requires the industry to (1) consider societal and environmental needs aligned with Sustainable and Responsible Investment (SRI) and Islamic capital market (ICM); (2) drive greater inclusiveness for issuers through alternative financing avenues; (3) facilitate greater investor inclusiveness through expansion of product offerings; (4) improve efficiencies across the capital market value chain for more productive use of capital and market vibrancy; and (5) enable innovation and growth through international, regional and domestic collaborations. Recognising the importance of shared value, the SC has over the years put in place policies and initiatives to enable shared value growth.

TOWARDS A CAPITAL MARKET WHICH CATERS TO SOCIETAL AND ENVIRONMENTAL NEEDS THROUGH SRI AND ICM

As the largest market in sustainable investment in Asia (ex-Japan)² and a global leader in ICM, Malaysia

is well-positioned to drive the sustainable finance agenda further, given the alignment of principles underlying Shariah investing with those of sustainable finance.

The SC continues to be guided by its “5i Strategy” to develop the SRI ecosystem, leveraging Malaysia’s leadership in ICM. The introduction of these strategies in 2014 allowed greater focus on activities or initiatives that support the United Nations’ Sustainable Development Goals (SDGs) through the capital market. Since then, the SC has seen increased interest by investors seeking to integrate environmental factors into their investment decision-making, connecting financial returns with greater good.

DID YOU KNOW?

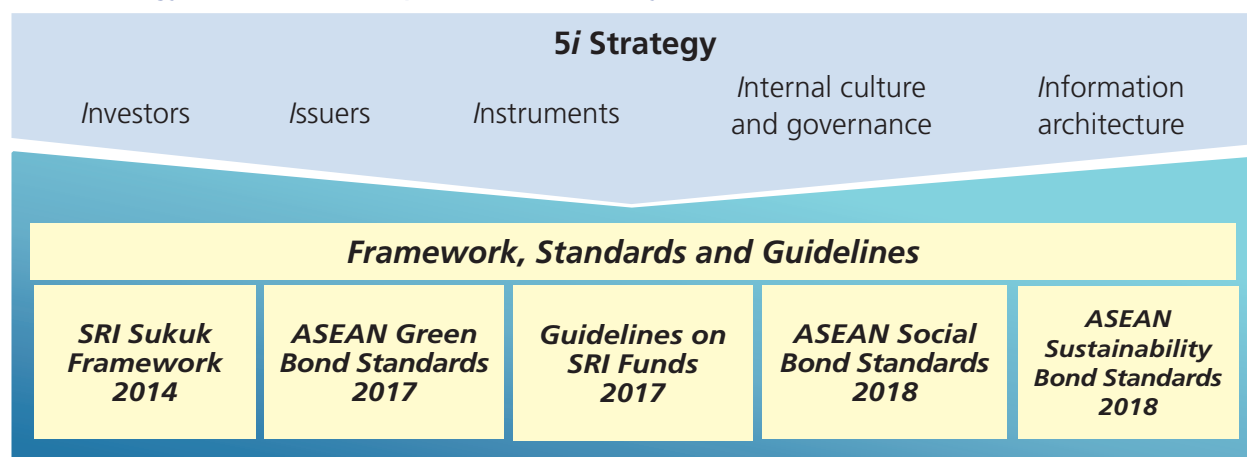
- A total of RM882.30 million green bonds and sukuk were issued through the Malaysian capital market for environmental benefits in 2018.
- The world’s first Environmental, Social and Governance (ESG) sukuk fund, launched in 2018 under the SC’s *Guidelines on SRI Funds* in Malaysia, integrates ESG criteria together with financial and non-financial metrics in its portfolio investment strategy.

¹ Shared Value Concept was introduced by Michael E Porter and Mark R Kramer in the *Harvard Business Review* article titled *Creating Shared Value* in 2011.

² As at 2016, Malaysia has 30% of sustainable and responsible investment assets in Asia (ex-Japan) (*Global Sustainable Investment Review 2016*).

Diagram 1

The 5i Strategy anchors the development of the SRI ecosystem



Continued growth of sustainable finance asset classes

In developing a facilitative ecosystem to strengthen Malaysia's position as a regional leader in sustainable investment, the SC has intensified its efforts in promoting and introducing green, social and sustainable asset classes:

- **Green SRI Sukuk**

In 2014, the SC introduced the SRI Sukuk Framework to facilitate financing of projects that also benefit the environment and society. Designed to be versatile, it provides for the issuance of green, social and sustainability sukuk, offering greater financing options for issuers. In 2018, two new green SRI sukuk amounting to RM467.3 million were issued. This followed the three issuances in 2017, including the world's first green SRI sukuk in Malaysia, bringing the total green SRI sukuk issuances to five with amounts raised of RM2.4 billion.

- **Green SRI Sukuk Grant Scheme**

To encourage more issuances of green SRI sukuk, the SC established a RM6 million Green SRI Sukuk Grant Scheme in 2018 to incentivise issuers by offsetting up to 90% of external review costs incurred in relation to the issuance of green SRI sukuk. Administered by Capital Markets Malaysia (CMM), four applications received approvals for the Grant as at end 2018.

- **ASEAN Green Bond Standards**

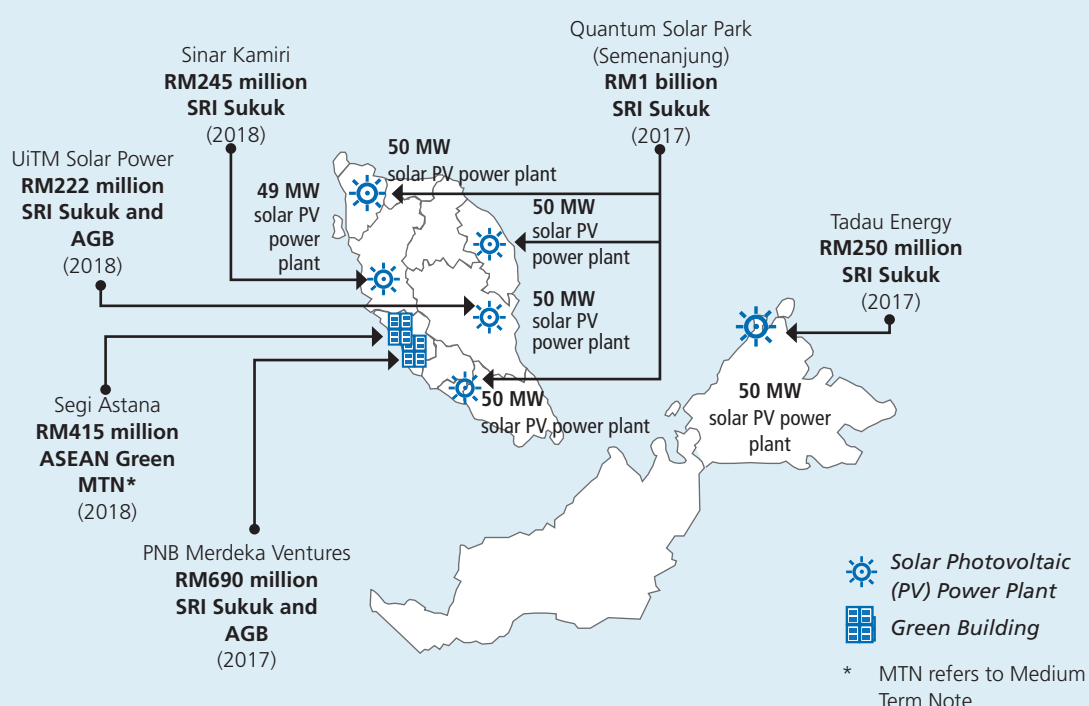
To support the development of green asset classes in the ASEAN region, the ASEAN Capital Markets Forum (ACMF)³ introduced the *ASEAN Green Bond Standards* (ASEAN GBS) in November 2017. Following the inaugural issuance of an ASEAN Green Bond (AGB) in 2017 by a Malaysian issuer that was also recognised as a green SRI sukuk, four more ASEAN green bonds under the ASEAN GBS were issued in Malaysia and Singapore. In addition, the first sovereign sukuk in ASEAN issued by Indonesia is aligned to the ASEAN GBS.

³ The SC is a part of the ACMF, which comprises capital market regulators from the 10 ASEAN jurisdictions. The ACMF was established in 2004 to achieve greater integration of the region's capital markets.

BRIGHTER FUTURE WITH GREEN FINANCE

Over the last two years, Malaysia has seen encouraging growth in the number of green projects financed through the SRI Sukuk Framework and the ASEAN GBS. Besides funding green buildings, green finance has also facilitated the development of a growing number of solar power plants, supplying up to a total of approximately 299 megawatts for Malaysia.

Green projects financed under SRI Sukuk Framework and ASEAN GBS



In 2018, following the International Capital Market Association's (ICMA) issuance of its revised *Green Bond Principles* (GBP), the ASEAN GBS was correspondingly revised in October to ensure its alignment with ICMA's GBP. The revised edition provides, among others, additional guidance and updated definitions as well as encourages timely reporting of material developments.

- **ASEAN Social Bond Standards and ASEAN Sustainability Bond Standards**

In line with the growing importance of sustainable finance in ASEAN, one of ACMF's key initiatives in 2018 was the development

of sustainable asset classes. To support ASEAN's sustainable development needs, the ACMF developed:

- ASEAN Social Bond Standards* (ASEAN SBS), based on ICMA's *Social Bond Principles*, for financing projects that are socially beneficial; and
- ASEAN Sustainability Bond Standards* (ASEAN SUS), based on ICMA's *Sustainability Bond Guidelines*, for financing a combination of both green and social projects that offer environmental and social benefits.



















































ALIGNING SUSTAINABLE FINANCE WITH THE SUSTAINABLE DEVELOPMENT GOALS

Globally, there is increasing attention on the need to unlock private investments to meet the Sustainable Development Goals (SDGs). The gap in financing needed to realise the SDGs in developing countries is estimated at US\$5 to US\$7 trillion annually until 2030⁴. While government funding is important, most of the investments would need to be sourced from the private sector. There is a need to tap into the capital market to mobilise financing to meet the SDGs' funding needs.































This can be achieved by promoting the development of sustainable finance, which integrates ESG criteria that are aligned to the 17 SDGs in investment decisions. Table 1 highlights how the SC's framework and ACMF's standards on sustainable finance align with the SDGs.

The SRI Sukuk Framework, together with the ASEAN GBS, ASEAN SBS and ASEAN SUS, play an important role in facilitating the region's infrastructure and social development financing needs. To demonstrate the alignment of the project categories under these frameworks and standards to the SDGs, the SC reviewed the 17 SDGs to identify those that may be relevant. Of the 17 SDGs, 15 are deemed relevant to the project categories.

Table 1

Projects	SDGs
SRI Sukuk Framework	
1. Natural resources	       
2. Renewable energy and energy efficiency	   
3. Community and economic development	      
4. <i>Waqf</i> properties / assets	       
ASEAN Green Bond Standards	
1. Renewable energy	      
2. Energy efficiency	  
3. Pollution prevention and control	  
4. Environmentally sustainable management of living natural resources and land use	    
5. Terrestrial and aquatic biodiversity conservation	    

⁴ UN Commission on Trade and Development (UNCTAD) estimates.

Projects	SDGs	SDGs Description
ASEAN Green Bond Standards		Goal 1: No Poverty Goal 2: Zero Hunger Goal 3: Good Health and Well-Being Goal 4: Quality Education Goal 5: Gender Equality Goal 6: Clean Water and Sanitation Goal 7: Affordable and Clean Energy Goal 8: Decent Work and Economic Growth Goal 9: Industry, Innovation and Infrastructure Goal 10: Reduced Inequalities Goal 11: Sustainable Cities and Communities Goal 12: Responsible Consumption and Production
6. Clean transportation		
7. Sustainable water and waste water management	  	
8. Climate change adaptation	  	
9. Eco-efficient and/or circular economy adapted products, production technologies and processes	  	
10. Green buildings which meet regional, national or internationally recognised standards or certifications		
ASEAN Social Bond Standards		Goal 13: Climate Action Goal 14: Life Below Water Goal 15: Life on Land Goal 16: Peace, Justice and Strong Institutions Goal 17: Partnerships for the Goals
1. Affordable basic infrastructure	     	
2. Access to essential services	       	
3. Affordable housing	 	
4. Employment generation	 	
5. Food security	 	
6. Socioeconomic advancement and empowerment	       	

Note: This illustration for ASEAN GBS and ASEAN SBS is aligned with the High Level Mapping to the SDGs 2018 as published by ICMA. This illustration serves as a reference and the projects should be reviewed individually for alignment. Alignment with the SDGs does not automatically ensure alignment with the SRI Sukuk Framework, ASEAN GBS, ASEAN SBS and ASEAN SUS (combination of green projects under ASEAN GBS and social projects under ASEAN SBS).

Promoting the sustainable finance agenda in 2018

WORLD BENCHMARKING ALLIANCE

5 February

Consultation by World Benchmarking Alliance (WBA) with key stakeholders in Malaysia to understand how corporate SDG benchmarks can be designed to create value

WORLD CAPITAL MARKETS SYMPOSIUM

6 & 7 February

SC-WORLD BANK- IOSCO ASIA PACIFIC HUB CONFERENCE

14 & 15 May

(Events featured on
pages 9 and 32)

SC-OCIS 9TH ROUNDTABLE

24 & 25 March

An annual collaboration between the SC and the Oxford Centre for Islamic Studies (OCIS) on the advancement of global thought leadership in Islamic finance. Focus in 2018 was on 'Enhancing the Value of Islamic Capital Market through Social and Impact Investment'

GREEN FINANCE WORKSHOP

12 April

Raising awareness of how capital market products, especially Islamic finance instruments, align with the medium to long-term financing needs of renewable energy project owners

SUSTAINABLE INVESTMENT ROUNDTABLE

16 July

Promoting sustainability in the capital market through greater awareness of regional and global initiatives, adoption of SRI among retail investors and the need for a Malaysian standard incorporating ESG and Islamic principles

UNDP-IsDB-SC FORUM

27 September

Held on the sidelines of the 73rd UN General Assembly, global industry leaders discussed how Islamic finance can provide an innovative financing mechanism for the private sector to support the 2030 Agenda for Sustainable Development

GREEN FINANCE FORUM

17 October

The forum provided potential fundraisers and financial intermediaries an update of initiatives by the government agencies in the area of green financing and funding options offered by ICM

MINISTER'S DIALOGUE WITH CORPORATE SUSTAINABILITY MANAGERS

4 December

A dialogue with the Minister of MESTECC, CMM, Bursa Malaysia and public listed companies to collectively aim towards achieving the UN's 2030 Agenda for Sustainable Development

• Guidelines on SRI Funds

To facilitate and encourage greater growth of SRI funds, the SC introduced the *Guidelines on SRI Funds* in December 2017. This was intended to strengthen Malaysia's leadership position in the SRI fund market in the region. Since then, four qualified SRI funds have been launched by the industry under these Guidelines in 2018. This includes the world's first ESG sukuk fund.

Profiling Malaysia as a growing sustainable finance hub

The SC's participation in various events and leadership role in forums related to SRI and SDGs ensures continued awareness on sustainable finance and Malaysia's growing presence in this domain. These events provide a platform for the SC to connect and engage with thought leaders, market practitioners, policymakers and other stakeholders. This helps shape policies and explore new ways of engaging with the capital market community in order to meet the goals of sustainable development.

SC-WORLD BANK-IOSCO ASIA PACIFIC HUB CONFERENCE 2018: MALAYSIA LEADS IN ADVOCATING CONVERGENCE OF ISLAMIC AND GREEN FINANCING

Securities Commission Malaysia
14 & 15 May 2018

The Conference is the second collaboration between the SC and World Bank Group Global Knowledge and Research Hub in Malaysia, with a new co-organiser, International Organization of Securities Commissions (IOSCO) Asia Pacific Hub.

Themed 'Harnessing Islamic Finance for a Green Future', the conference gathered 200 industry practitioners, policymakers and experts in Islamic finance and the sustainable investment space to discuss key policy, regulatory and institutional elements needed to further increase market adoption of Islamic finance for climate mitigation and adaptation efforts.

"The pioneering issuance of green sukuk in Malaysia demonstrates the substantial potential of deploying Islamic finance instruments to support the green agenda. This was accomplished through the partnership between the World Bank's Malaysia Hub, the Malaysian government and other stakeholders. We intend to build on these accomplishments to foster the use of such instruments to finance sustainable development and build resilience to climate change and natural disasters in our client countries."

Richard Record⁵, Acting Country Manager for the World Bank's Global Knowledge and Research Hub in Malaysia

Selected panellists for the programme:



**Datuk Zainal Izlan
Zainal Abidin**

Deputy Chief Executive
Securities Commission Malaysia



Abayomi A Alawode

Head, Islamic Finance
World Bank



Sean Kidney

Chief Executive Officer
and Co-founder
Climate Bonds Initiative



**Datuk Dr Mohd
Daud Bakar**

Founder and Chairman
Amanie Group



Mushtaq Kapasi

Chief Representative for
Asia-Pacific
International Capital
Market Association



Nezha Hayat

President
Moroccan Capital
Market Authority

⁵ Richard Record is currently Lead Economist, Macroeconomics, Trade and Investment Global Practice, World Bank.

In September 2018, the SC expressed support for the Financial Stability Board's (FSB) Task Force on Climate-Related Financial Disclosures (TCFD) recommendations that aim to facilitate companies' disclosure of the financial impact in relation to climate-related risks and opportunities. To date, over 500 organisations including regulators have expressed support for the TCFD.

The SC also participated in several global initiatives to increase the profiling of Malaysia as a centre for sustainable finance:

CREATING GREEN BOND MARKETS: INSIGHTS, INNOVATIONS AND TOOLS FROM EMERGING MARKETS



Sharing Experience on Malaysian Green Bond and Sukuk Market – A Sustainable Banking Network Report

With the aim of raising visibility and awareness of green bonds and supporting issuers in the green bond market, the SC participated in the International Finance Corporation (IFC) and Climate Bonds Initiative (CBI) project for Sustainable Banking Network (SBN) on green bond markets. Published in September 2018, the report includes a case study on the Malaysian green bond and sukuk market.

The report concludes that green bonds are effective instruments to help achieve the SDGs. Additionally, national guidance is essential to the creation of green bond markets in emerging markets.

Sustainable Stock Exchanges Initiative – Sharing of best practices on how securities regulators can support the SDGs

The SC contributed as an Advisory Group member to the Sustainable Stock Exchanges (SSE) initiative, sharing best practices on how securities regulators can support the SDGs.

HOW SECURITIES REGULATORS CAN SUPPORT THE SDGs: A SHARING OF EXPERIENCE IN PROMOTING SUSTAINABLE FINANCE



The report, published in October 2018, provides an extensive overview of sustainable finance around the world with 35 examples from 19 markets, including initiatives by the SC and ACMF. It examines how actions are being taken on sustainability-related risks within securities regulators' existing mandates and also looks at how regulators can promote the SDGs.

IOSCO Growth and Emerging Markets Committee Working Group on Sustainable Financing

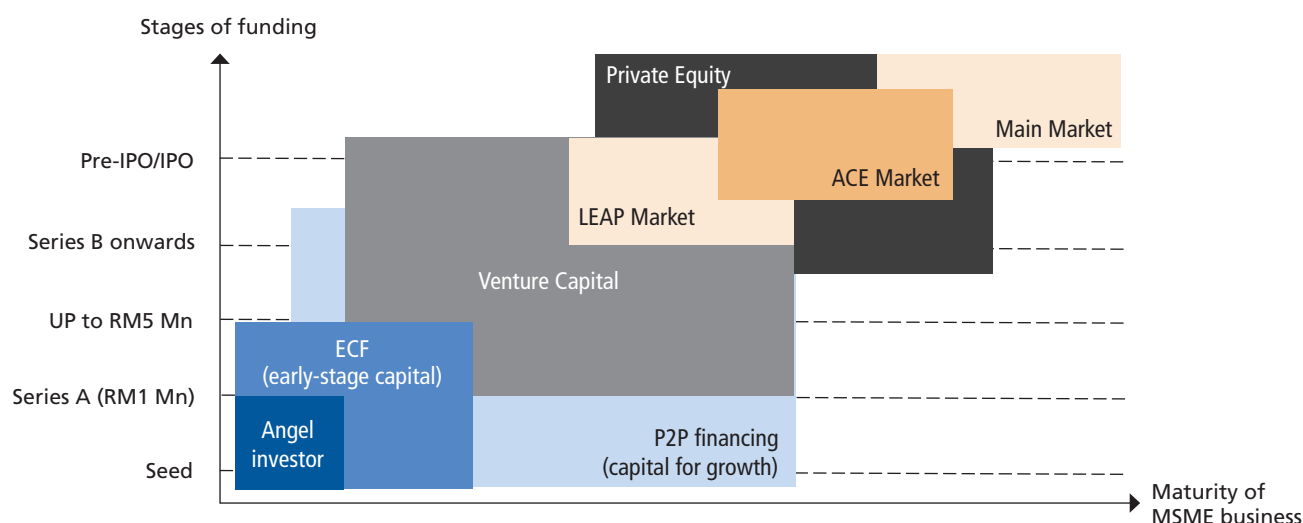
The SC co-chairs the IOSCO Growth and Emerging Markets (GEM) Committee Working Group on Sustainable Financing. The work will culminate in a report that will address, among others, the development of sustainable instruments such as green and social impact bonds as well as encourage the quality of disclosures and strengthen overall capacity and expertise on ESG issues within capital markets. The work is also expected to facilitate a degree of international consistency given the cross-border and global nature of sustainable instruments.

BROADENING ALTERNATIVE FINANCING AVENUES

Micro, small and medium enterprises (MSMEs) and entrepreneurs constitute the backbone of the Malaysian economy, accounting for 66% of total employment and 37.1% to total GDP in 2017. Along with the growth of the digital economy, MSMEs too have seen a shift from traditional brick and mortar businesses to more digitally-led businesses, changing the way they interact with

Chart 1

Diversity in financing opportunities for businesses



Source: SC

consumers. Recognising the importance of the digital economy in fuelling economic growth and opportunities, initiatives in Budget 2019 were proposed towards supporting new technology development and ensuring sufficient funding for entrepreneurs through conventional as well as alternative financing sources.

In line with these developments, capital markets too have evolved to cater to a wider spectrum of MSMEs. While traditional sources of funding such as banking, public equity and debt remain relevant, alternative avenues of financing such as Equity Crowdfunding (ECF), Peer-to-Peer (P2P) Financing, Venture Capital (VC), Private Equity (PE) and Leading Entrepreneur Accelerator Platform (LEAP) are fast gaining acceptance as complements to traditional funding channels.

These alternative financing avenues succeed because they enable underserved issuers to connect with traditionally untapped pools of investors, while

offering cheaper, faster and more convenient delivery channels. Each avenue is also tailored to meet the unique needs of businesses at every stage of their business lifecycles.

DID YOU KNOW?

- 693 businesses have been financed via ECF and P2P financing since 2015.
- Malaysia's six P2P financing platforms raised RM180.05 million in 2018 – this is a growth of 452% from 2017. 93% of P2P investors are repeat investors.

ECF and VC are structured to help budding entrepreneurs and start-ups secure pre-seed, seed and early stage financing. On the other hand, P2P financing, PE and LEAP are well-suited for more mature companies seeking working capital or capital for growth. Eventually, when businesses reach a certain scale, they will be able to leverage traditional methods such as public equity or debt. Together, these financing avenues can help meet some of the financing needs of Malaysian businesses, towards growing the nation's economy.

ECF and P2P financing as platforms for MSMEs to raise funds

Although challenges persist in MSME's access to finance, the visible growth in alternative financing avenues has been very positive and reflects the role of the private sector in providing financing to companies at various stages of development. Since 2015, 693 MSMEs have successfully raised capital amounting to RM261.52 million through ECF and P2P platforms. In 2018 alone, 616 MSMEs raised a total of RM195.11 million through these platforms.

ECF*



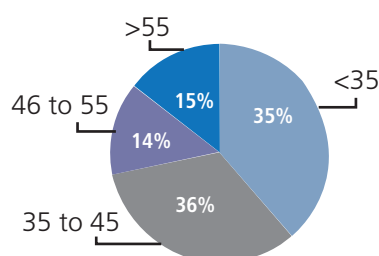
7 ECF platform operators



51 ECF campaigns



50 MSMEs raised capital successfully



Age of ECF investors



54% are retail investors



RM48.87 million raised to date



47% of campaigns raised RM500,000 and below



94% of investors are Malaysian

* Data is cumulative since inception in 2015.

The data suggests a strong, growing demand for both ECF and P2P financing as alternative avenues for MSMEs to raise early stage financing and capital for growth. This is in line with one of the objectives set out in the SC's Digital Markets Strategy to enhance access to financing. In support of the SC's financial inclusion agenda, ECF and P2P financing have also attracted strong participation from retail and youth investors aged below 35 at 82% and 54% of total investors respectively.

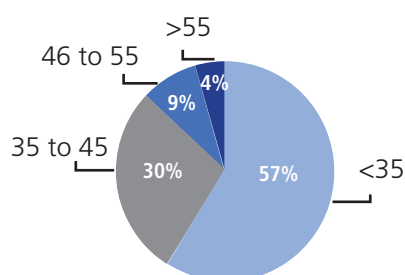
On 5 July 2018, the SC invited new applications for ECF and P2P financing operators. These applications are currently being assessed and the SC is expected to make an announcement on successful operators in the first half of 2019. The potential introduction of new ECF and P2P financing operators is intended to serve a wider range of businesses and investors across different sectors and segments.

P2P Financing*


**6 P2P financing
platform operators**


**2,505 P2P
financing
campaigns**


**643 MSMEs raised
capital successfully**



**Age of
P2P financing
investors**


**22% are repeat
issuers**


**RM212.65 million
raised to date**


**93% are repeat
investors
across multiple
campaigns**






**91% of
campaigns
raised
RM200,000
and below**


**99% of
investors are
Malaysian**

* Data is cumulative since inception in 2015.

CASE STUDY ON SUCCESSFUL ECF ISSUERS

				
	MECAPAN	TAGLA	ITALENTPRO	SIGNATURE MARKET
 Website	mecapan.com	tagla.com.my	italentpro.com	signaturemarket.co
 Year Of Campaign	2018	2017	2016	2017
 Amount Raised	RM300,000.00	RM755,000.00	RM1,046,703.49	RM1,507,080.00
 Industry	Beauty & Cosmetics	Technology	Technology	Food & Beverage
 Platform	Ata Plus	CrowdPlus	FundedByMe	PitchIN
Description of business	Mecapan was established in 2017 as a beauty service platform in Indonesia with a vision – #BreakingBarriersForBeauty. The platform allows women of all ages to find the right beauty service provider that matches their schedule, needs, location and budget.	TAG La's focus is to create a worry-free world. One of its products, TAG La, is an item finder that helps people keep track of misplaced items in seconds by using a mobile application.	ITalentPro is a user-friendly digitised HR platform. It is a cloud-based human capital solution provider that enables organisations to realise their current and future workforces' potential.	Signature Market is an e-commerce platform which sells packaged goods directly to consumers.

				
	MECAPAN	TAGLA	ITALENTPRO	SIGNATURE MARKET
MSME's reason(s) for choosing ECF and their fundraising experience	Ata Plus prepared Mecapan well for its fundraising campaign by giving useful feedback and facilitating meetings with a diverse group of influential people.	CrowdPlus gave TAG La access to a diverse group of investors and resources. These investors could ultimately become its brand ambassadors.	FundedByMe helped expand ITalentPro's network through ECF investors, who may choose to contribute to its business expansion. This fundraising method also allowed ITalentPro to receive helpful suggestions from like-minded investors.	PitchIN has assisted Signature Market to leverage ECF as an efficient method to raise capital.
Main benefits and challenges	Benefit(s) <ul style="list-style-type: none"> Provides access to a pool of new investors; Allows investors to provide constructive feedback for further growth; and Offers an avenue for seed-stage companies to obtain requisite guidance and fundraising support. 	<ul style="list-style-type: none"> Allows investors to contribute and participate in the business as mentors and brand ambassadors. 	<ul style="list-style-type: none"> Provides access to a wide range of investors – local, foreign, retail and sophisticated; and Offers more equitable terms and conditions for all parties compared to other fundraising methods. 	<ul style="list-style-type: none"> Provides a useful platform for business validation; and Enhances visibility for follow-on funding.
	Challenges <ul style="list-style-type: none"> Learning the tools of effective fundraising; Managing legal documents; and Learning to accept critical feedback. 	<ul style="list-style-type: none"> Managing a pool of investors with differing mindsets and opinion while remaining firm on the direction of the company. 	<ul style="list-style-type: none"> Learning to communicate with a variety of investors from different countries; Managing a wider group of investors' expectations; and Managing legal documentation efficiently. 	<ul style="list-style-type: none"> Yet to encounter any challenges so far.

** Note: The above interview responses have been edited for brevity.

LEAP market continues to progress

The LEAP market launched by Bursa Malaysia continues to progress in meeting its objective of providing a capital-raising platform for SMEs that complements other forms of capital-raising channels. In 2018, 10 SMEs⁶ successfully raised RM57.43 million on the LEAP market, bringing the total raised since inception in July 2017 to RM69.93 million.

The 13 locally incorporated companies currently on the LEAP market come from diverse sectors including technology, healthcare, consumer and industrial products and services, as well as telecommunications and media.

VC and PE – supporting the funding ecosystem

VC and PE are essential components in the Malaysian entrepreneurship funding ecosystem. In addition to providing financial capital, VC and PE managers also provide guidance to businesses in order to accelerate and realise their growth potential. As an asset class, investments in VC and PE funds offer institutional investors and high net worth individuals avenues for portfolio diversification.

As at 2018, the Malaysian VC and PE industry saw total fund commitments of RM6.08 billion. The key growth challenge lies in the limited participation of institutional and private investors. As a result, a significant share of funding in the industry is sourced from government funds. To address this issue, development efforts in 2018 focused on:

1. Promoting awareness of VC and PE in the Malaysian capital market; and
2. Encouraging private investor participation in VC and PE.

To promote awareness of VC, a half-day workshop for VC firms and start-ups from the ASEAN region

was held on 8 February 2018 in conjunction with the World Capital Markets Symposium. Through collaboration with CMM and selected industry representatives, the workshop provided participants with an overview of the Malaysian VC landscape ranging from regulations to available incentives in the funding and entrepreneurship ecosystem.

The SC also supported the Southeast Asia Venture Capital & Private Equity Conference 2018 held on 31 July 2018. Organised by the Malaysian Venture Capital and Private Equity Association, the conference covers in-depth discussions on investment trends and opportunities in Southeast Asia.

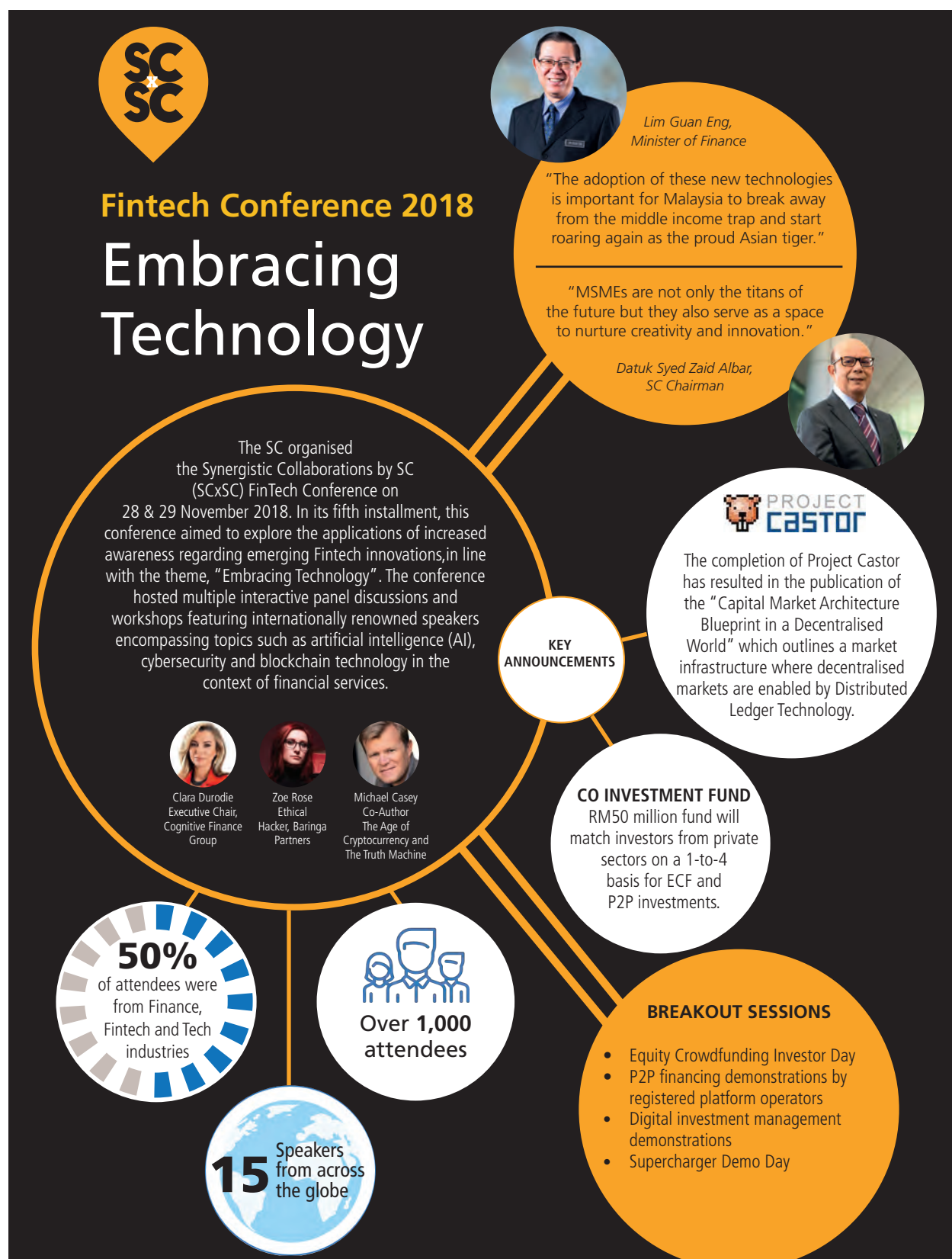
Following Budget 2018, the Venture Capital Fund Coordination Committee (VCFCC) was formed to implement the RM1 billion VC fund allocation programme. This allocation serves to, among others, encourage formation of new VC funds, address the funding gap in the entrepreneurship ecosystem and strengthen the expertise of Malaysian VC professionals. The VCFCC, which is chaired by the SC and comprises representatives from key domestic institutional investors, determines the minimum eligibility criteria for the allocation as well as facilitates the review and selection of fund proposals for this allocation.

A Request for Proposal was launched on 3 May 2018 to call for submissions by interested VC managers seeking funding commitments from investors in the VCFCC. The programme garnered interest from both domestic and international VC managers with a total of 60 proposals received and reviewed by the VCFCC.

Initial coin offerings and digital asset exchanges

The SC continues to remain vigilant in monitoring the activities in the digital assets space as well as other regulatory developments globally. Throughout 2018, steps were taken to engage with the market

⁶ Total number of SMEs listed in 2018 on the LEAP market was 11, with one in the form of 'proposed listing by way of introduction of the entire issued share capital', without raising funds.



as well as key stakeholders to bring about greater understanding of digital assets and initial coin offerings (ICOs). This includes amplifying educational efforts on scams, particularly through InvestSmart® programmes. Where necessary, the SC undertook regulatory actions, and will continue to do so, to deter and halt schemes that contravene securities laws.

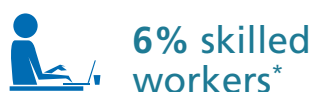
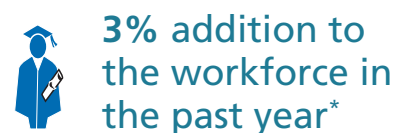
Digital assets and ICOs can become an alternative avenue for early-stage financing as well as a new investment class for investors, provided they are harnessed in the right way with the appropriate safeguards in place. Regulations are being put in place to bring digital assets within the remit of securities laws to promote fair and orderly trading and ensure investor protection. The SC will regulate issuances of digital assets via ICOs and the trading of digital assets on digital asset exchanges in Malaysia. In order to implement the regulatory framework on digital assets, the SC and Bank Negara Malaysia (BNM) will enter into co-ordination arrangements to ensure compliance with laws and regulations under the purview of both regulators. The regulatory frameworks are targeted to be launched early 2019.

FACILITATING GREATER INVESTOR INCLUSIVENESS

There is increasing awareness among Malaysians on the need for greater emphasis in managing and growing their wealth. Malaysia's population of about 32 million features a diverse workforce, sizeable youth population and growing segment of affluent and sophisticated investors. Given the range of investors with differing investing goals and risk appetites, a comprehensive set of capital market products as well as access to investment advice and services are essential. It presents investors with a myriad of choices and enables them to make informed investment decisions.

For these reasons, the SC has focused not just on product innovation but also on bolstering the availability of investment advice, financial planning and portfolio management services in the market. Having a wider selection of investment choices would serve to diversify investors' risks, helping them balance risk and return. From a broader perspective, it would also encourage mobilisation of

Diversity in the Malaysian population leads to different investing needs



Note:

* Department of Statistics Malaysia, 3Q 2018

** Global Entrepreneurship Monitor 2017/18

*** BNM Payment Statistics 3Q 2018

investors' savings to match the funding needs of issuers within the capital market.

In 2018, the SC embarked on a series of initiatives to improve and ensure a broad range of opportunities to cater to the diverse needs of all investors – from young retail to sophisticated seasoned investors – to help manage and grow their wealth.

Introducing a framework for the offering of OTC Contracts for Difference

Recognising investors' need for more sophisticated trading instruments, the SC introduced its first framework for an over-the-counter (OTC) derivatives product – Contracts for Difference (CFD). Following industry consultation, the *Guidelines on Contracts for Difference* was issued on 1 April 2018 and came into effect on 1 July 2018.

CFDs allow investors to participate in the price movements of an underlying instrument on a leveraged basis. Given the complexity of CFDs, the framework is implemented on a phased approach, starting with sophisticated investors. In addition, underlying instruments of CFD are limited to shares and equity indices.

To access this product, investors trade directly with licensed CFD providers who will act as principal until the position is closed. Given the bilateral nature of the trade, the SC will closely monitor the internal risk management and control systems of the CFD providers to ensure that the credit risk exposure to and from their clients are well-managed. In addition, the SC allows clients of CFD providers access to the Capital Market Compensation Fund (CMCF) in the event of a default by any of the CFD providers⁷.

This new framework is in line with the SC's continuous efforts to encourage growth through widening intermediaries' scope of business in the derivatives market.

DID YOU KNOW?

- Corporate bonds and sukuk previously only made accessible to sophisticated investors can now be offered to retail investors in Malaysia without a prospectus if they meet specific requirements. In addition, the range of corporate bonds and sukuk that can be offered to retail investors have also been expanded beyond plain vanilla bonds.

Supporting the need for diversification of portfolios through an enhanced retail bonds and sukuk framework

Access has long been an issue for individual investors interested in investing in Malaysian corporate bonds and sukuk. Companies have traditionally concentrated on issuing corporate bonds and sukuk to institutional investors. As such, while Malaysia is the third largest bond market in Asia (relative to GDP)⁸ and the world's largest sukuk market,⁹ participation by retail investors remains low. Significant efforts were made throughout 2018 to increase retail investors' access to this segment of the market.

In September 2018, various measures to revise the retail bond and sukuk framework were launched. A new seasoning framework was introduced to enhance retail investors' access to existing corporate bonds and sukuk currently traded by sophisticated investors in the OTC market. To be eligible for access by retail investors under this framework, corporate bonds and sukuk are required to have been in the market for at least 12 months and have a minimum credit rating of A, among other requirements.

⁷ All CFD providers contribute to CMCF.

⁸ Asian Bonds Online – <https://asianbondsonline.adb.org>.

⁹ Malaysian International Islamic Financial Centre (MIFC).

Guidelines were also enhanced to allow issuers who meet specific criteria to issue a product highlight sheet instead of a full prospectus. The range of corporate bonds and sukuk that may be offered to retail investors has also been expanded beyond plain vanilla bonds to include subordinated debt as well as perpetual bonds and sukuk issued by licensed banks.

Enhancing disclosure requirements on listed corporations

Disclosure requirements were also revised for abridged prospectuses and the relevant circulars. The *Prospectus Guidelines* and *Equity Guidelines* amended in December 2018 serve to guide listed corporations in making such documents more reader-friendly. It also requires disclosures to focus on meaningful information to help shareholders make informed investment decisions.

Allowing for specialised exchange traded funds

On 26 November 2018, the *Guidelines on Exchange-Traded Funds* was enhanced to allow the issuance of specialised Exchange Traded Funds (ETFs) such as futures-based ETFs, leveraged and inverse (L&I) ETFs, synthetic ETFs, conventional physically-backed commodity ETFs and smart beta ETFs.

Physically-backed commodity ETFs typically track the price of a certain commodity such as gold and silver. Smart beta ETFs track the performance of alternative rule-based indices – which are constructed differently from typical market cap-weighted indices – taking into account various factors such as volatility and dividends, with the aim of enhancing returns.

Leveraged ETFs aim to provide a multiple of the underlying index's daily returns. Inverse ETFs, on the other hand, are constructed with the aim of benefitting from a downward market. The revisions allow up to a maximum factor of two times (2x) for Leveraged ETFs, while Inverse ETFs are restricted to a maximum factor of one time (-1x).

Apart from the potential growth in market capitalisation due to the expansion on the types of permissible ETFs, the introduction of L&I ETFs can stimulate an increase in ETF turnover due to their short investment holding period by active-trading oriented investors.

Due to the complexity of the L&I ETFs, prospective retail investors must meet certain pre-qualification criteria before they can invest in these products. Retail investors who do not meet the pre-qualification criteria must undergo an e-learning module developed by Bursa Malaysia as well as a performance simulator provided by management companies of L&I ETFs before they can invest in L&I ETFs.

Launch of new ETF

2018 also saw the first foreign denominated ETF listed on Bursa Malaysia which tracks the Dow Jones Islamic Market US Titans 50 Index. This brings the total number of ETFs listed to 10. The Malaysian ETF market continues to chart a positive trajectory with market capitalisation reaching RM1.98 billion as at end 2018.

Private retirement scheme as an avenue to meet retirement needs

As a vehicle to strengthen the country's retirement pillars, the private retirement scheme (PRS) enables members to better plan their well-being after retirement using PRS funds that best match their needs. While there has been continued growth in the industry with total assets under management (AUM) reaching RM2.7 billion and 416,000 members, there is still a need to raise the level of awareness among Malaysians on their retirement needs. This underscores the crucial role played by the Private Pension Administrator Malaysia (PPA) in driving awareness and participation.

To increase the reach and provide better services for investors, enhancements were made to the ecosystem with the digitisation of PRS by PPA,

including the introduction of a mobile application and online enrolment. There has been growing adoption of these digital channels, with a total of RM61 million transacted online since inception.

To encourage youths to save early for retirement, a five-year PRS Youth Incentive was rolled out in early 2014. At the conclusion of the incentive in 2018, membership of youth below the age of 30 increased to 33% as at end December 2018 from only 7% of total PRS membership in 2014.

Boosting financial inclusion through Digital Investment Management

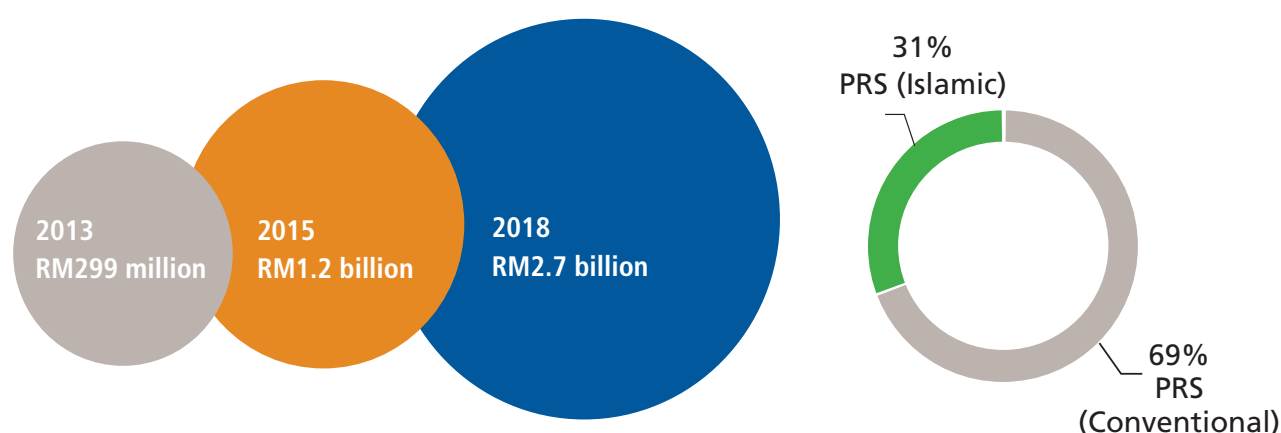
The SC recognises that the introduction of investment services through digital channels complements the existing suite of offline investments and enables more investors, particularly those who have been underserved, to access these services at an affordable cost. This forms part of the SC's ongoing efforts to encourage financial inclusion using technology.

The launch of the Digital Investment Management (DIM) framework in May 2017 was targeted at encouraging both new and existing market players to develop innovative and more effective ways of delivering high-quality products and services to investors by embracing digitisation.

Following the launch of the framework, the SC has received strong interest from local and regional players – both incumbents and start-ups – to apply for DIM licences. Through the Alliance of FinTech Community (aFINity) engagement labs, the SC has been conducting ongoing engagements with these players to guide them in meeting readiness requirements when applying for a DIM licence. DIM engagements form 41% of the total engagements carried out under the aFINity engagement labs held in 2018.

In October 2018, StashAway Malaysia was issued the first DIM licence followed by an approval-in-principle to another firm in November. With the entry of a more diverse range of DIM firms, investors will be able to access a new mode of investment which is convenient, affordable and accessible, to manage and grow their wealth.

Diagram 2
Growth of PRS AUM



* Data as at end 2018.

Source: SC

Diagram 3

Key PRS milestones

Kick off the 5-year PRS Youth Incentive

Youth aged 20-30 years will be given a RM500 one-off incentive by the government with a minimum contribution of RM1,000 in any PRS fund.

Enhancements to the PRS Youth Incentive

Government will match RM1,000 accumulated savings in the youth's account with a RM1,000 government co-contribution.

Launch of PRS online top up platform

The first phase of the digital solution journey saw an online top-up platform for current members. Operated by PPA, the platform provides access to PRS funds of all eight PRS providers.

The end of the journey for PRS Youth Initiative

At the end of the 5 years, the objective of getting more youth to save for their retirement was met, with RM104.05 million disbursed by the government.

Introduce mobile application and online enrolment

The development of the enrolment module marks the second phase of the digital solution with the aim of attracting new members to save for their retirement via PRS. A PRS mobile application was also introduced to provide members with easy accessibility to their PRS accounts.

Diagram 4

PRS members by age group

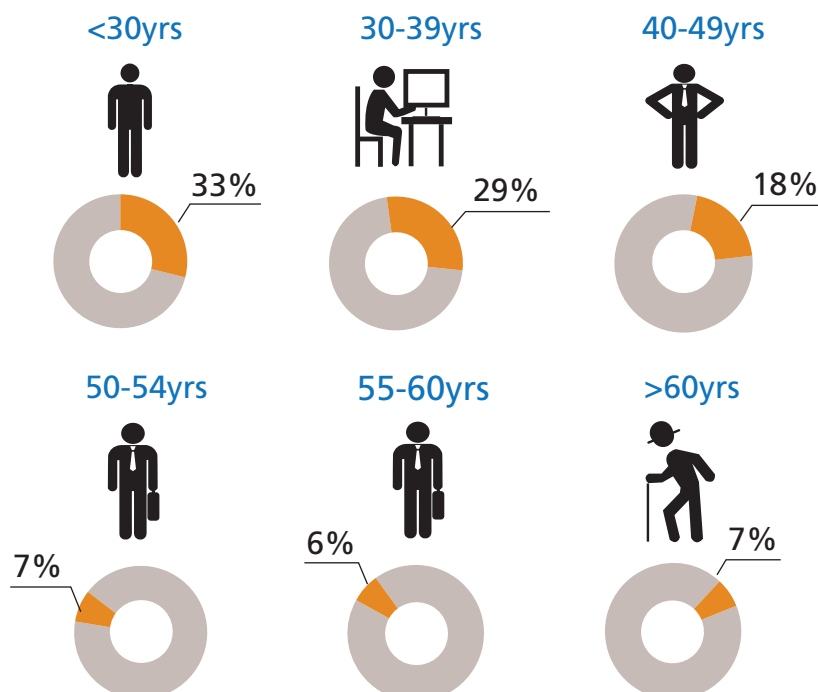


Diagram 5

PRS members by gender

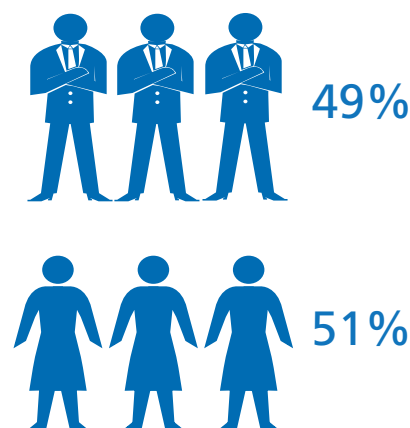


Diagram 6

PRS members' fund preference

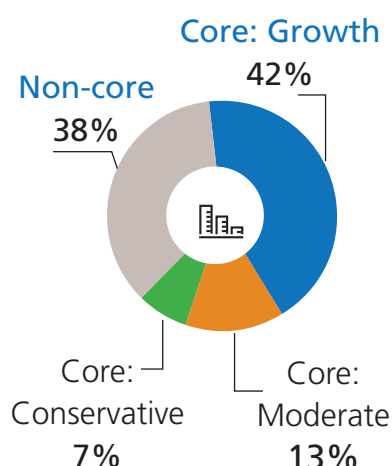


Diagram 7

Withdrawal by PRS members

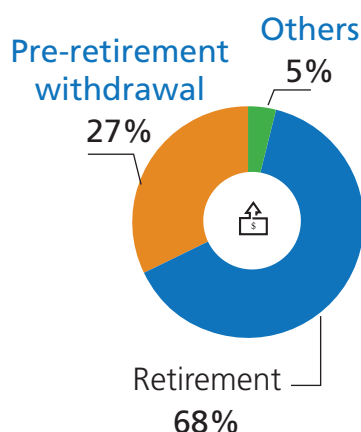
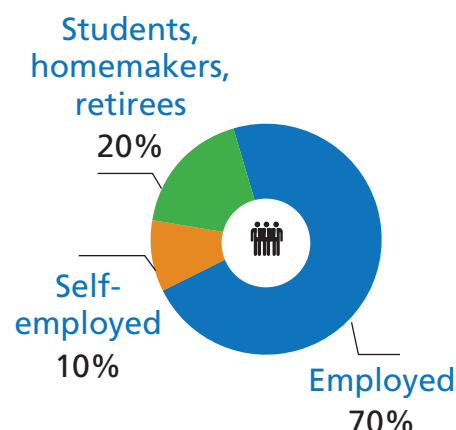


Diagram 8

PRS members by type of employment



Facilitating expansion of financial planners

With increased product innovation, financial planners continue to play a crucial role in providing appropriate and professional advice to investors. Recognising this, the SC continues to drive the growth of the industry.

In 2018, the SC liberalised the fee structures for Corporate Unit Trust Scheme Advisors (CUTA) and Corporate Private Retirement Scheme Advisors (CPRA). Cognisant of the different business strategies employed, the liberalisation provided more flexibility for CUTA and CPRA to determine their respective business and remuneration models.

As a result, all 17 CUTA and CPRA¹⁰ are allowed to establish and operate a mentorship model within their firms. Under this structure, junior financial planners are assigned to seniors to gain practical knowledge and build soft-skills, while helping to

retain intellectual knowledge within the firm. In exchange for mentorship and guidance, remuneration may then be shared between the mentor and mentee.

The liberalised fee structure for CUTA and CPRA facilitates the expansion of the industry as it encourages the professional development of new entrants in the financial services industry to transition into licensed financial planners. Investors stand to benefit from higher quality and comprehensive advice offered by financial planners in CUTA and CPRA firms.

Another initiative to grow the segment is the launch of the SmartFinance website at the annual financial planning conference in July 2018. Funded by the Capital Market Development Fund (CMDf), the portal aims to reach a wider investor audience and is a collective industry effort led by Financial Planning Association of Malaysia (FPAM).

¹⁰ Data as at end December 2018.

aFINity

aFINity serves as a focal point for development initiatives in the Fintech sphere. Through operationalisation of the Fintech bridge agreements, aFINity also serves as a nexus to other innovation hubs. In 2018, aFINity saw 109 engagements involving 91 participants. To complement this, the SC organised two streams of Innovation Labs, each focused on specific areas:

Engagement Labs



Carried out to test and evaluate key business concepts such as ECF, P2P financing, Digital Investment Management Services and Alternative Trading Systems.

Technology Labs



Typically arise from a specific industry need or use case and can be employed to develop a proof of concept solution. These labs were held in partnership with a technology provider, with participation from industry players. In November 2018, the SC unveiled Project Castor – a pilot project to explore the usage of Distributed Ledger Technology (DLT) in the regulated capital market space. This has culminated in an industry blueprint entitled *Capital Market Architecture Blueprint in a Decentralised World*.

aFINity currently has 210 registered members as part of its community and has undertaken over 216 engagements since inception.

Diagram 9

aFINity member demographics*

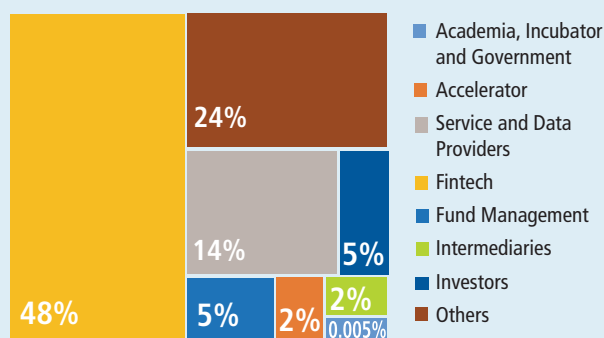
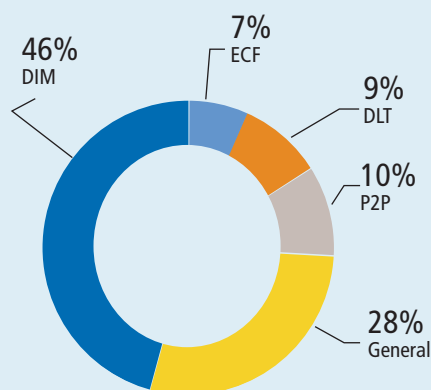


Diagram 10

aFINity topic of engagements*



* Data is cumulative since inception in 2015.

SmartFinance features fair and independent content complemented by financial toolkits. It adopts an interactive approach in educating the public via videos on investing, retirement planning and money management, among others. Uniquely, investors are able to connect directly with licensed financial planners based on location, areas of specialisation and range of planning fees.

SPURRING GREATER VIBRANCY AND EFFICIENCY IN THE CAPITAL MARKET

The capital market is a vital engine of growth for the country's economy – it facilitates the conversion of investor savings into capital for businesses, which allows the flow of funds to entrepreneurs, in turn generating returns for investors either in the form of capital gains or dividends, or both.

A capital market that is vibrant and efficient will see greater participation from investors and issuers. This will lead to increased market liquidity, improvements in price discovery, and reduction in cost of raising capital, thereby facilitating capital formation, wealth creation and resource allocation.

The equities market in particular has seen changing dynamics in recent years arising from shifting investor behaviour and needs, the evolution of technology as well as greater regulatory demand for transparency and better risk management. In addition to this, Malaysia's equity market has also seen greater competition from other emerging market economies.

These trends disrupt not only the way investors trade securities, but also impacts the value of intermediaries and types of services offered, revenue models and settlement efficiency. To remain competitive, the Malaysian equity market and its ecosystem will need to evolve to see greater vibrancy and efficiency.

Diagram 11

Changing market dynamics

Changing investor behaviour and needs	Evolution of technology	Enhanced regulatory requirements	Competition from other emerging markets
<ul style="list-style-type: none"> Instant access to information Seamless user experience Greater diversity in investment options Preference for technology-enabled processes 	<ul style="list-style-type: none"> Analytics for greater trading insights Use of mobile technology for trading Growth in algo trading sees greater demand on trading infrastructure Fintech disruption 	<ul style="list-style-type: none"> Impact of MIFID II to intermediaries Greater requirement for efficient intermediary controls and surveillance of secondary market 	<ul style="list-style-type: none"> Reduced MSCI EM index share with the inclusion of China, Argentina and Saudi Arabia Greater choice for local and foreign issuers Investors have more emerging market options to consider Greater fund flows to more liquid markets

Towards a more vibrant and efficient secondary market

The SC focuses on identified levers across three key areas:

1. **Promoting efficiency of market structure:** In order to meet the diverse needs of a wider range of investors, efficient market structure with diverse intermediaries and instruments are needed. Investors and issuers should be able to participate in the market seamlessly.
2. **Enhancing value recognition of issuers:** Malaysia is home to a multitude of models and sizes of businesses, presenting diverse value propositions to investors. Better value recognition of listed issuers promote greater investor interest and more trading activities.
3. **Encouraging greater diversity in investor participation:** A larger pool of diverse investors, complemented by application of a wide range of trading strategies can lead to better liquidity and vibrancy in the market.

While efforts are in place to address the market and its ecosystem, the macroeconomic landscape plays a key role in the vibrancy of the equity market.

Greater diversity in trading instruments and strategies

Following the introduction of Malaysia's first digital-only equity broker in 2017, the industry experienced a paradigm shift in its approach in calibrating customer acquisition, fee structure and business model. The focus in 2018 has been on empowering

investors through a greater variety of trading instruments and strategies to encourage trading activity.

• **Intraday Short Selling for all investors**

Previously applicable only to Proprietary Day Traders, Intraday Short Selling (IDSS) allows investors to perform day trading i.e. selling the securities first and then buying back later to close off the position within the same trading day. In April 2018, IDSS was extended to all investors to provide greater flexibility for position taking and risk management, while improving liquidity of the Malaysian equity market.

• **Spurring further growth of Listed Real Estate Investment Trusts**

The revised guidelines released by SC in March 2018 on listed Real Estate Investment Trusts (*Guidelines on Listed REITs*) include measures that accord greater opportunities for REITs¹¹, permitting among others:

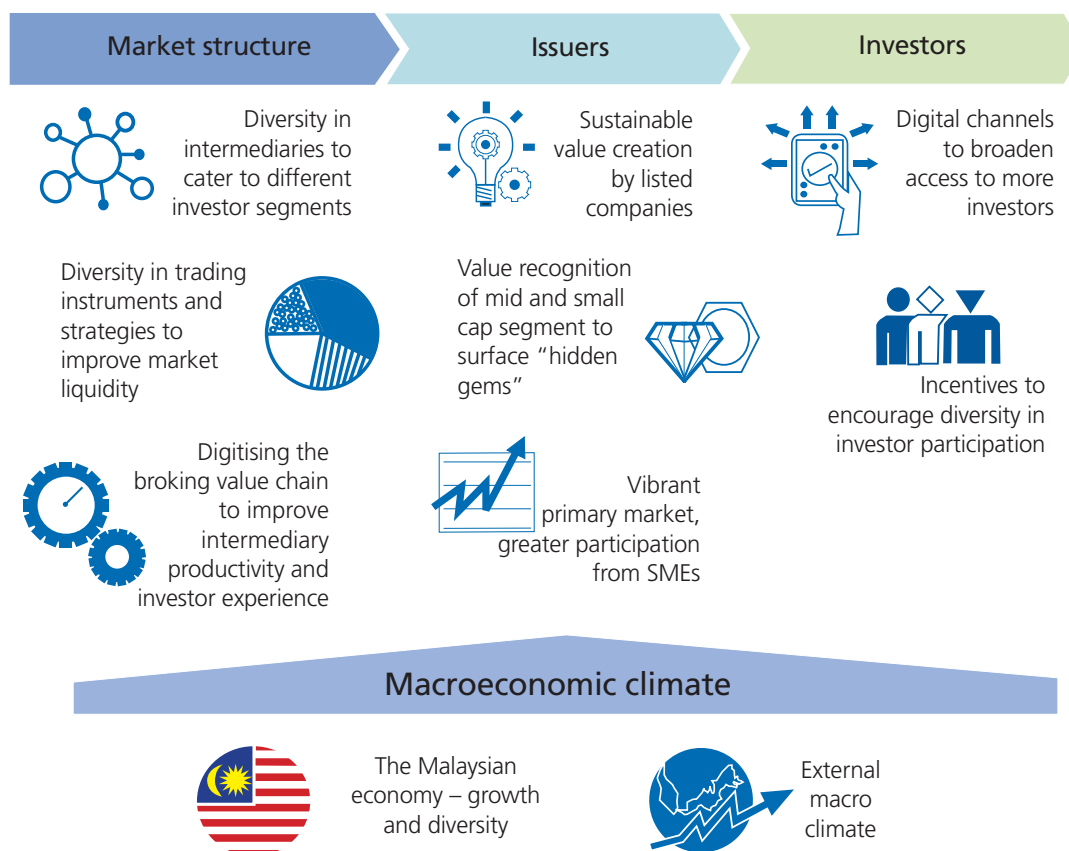
- redevelopment of existing properties and acquiring land for purposes of developing new properties to increase their portfolio of income-generating real estate; and
- entering into long-term leases of real estate.

An expansion of the REIT's permitted activities allow for potential improvements in REIT performance, which will increase its attractiveness as an investment option.

¹¹ REITs embarking on any of these activities would be subject to investment limits, additional disclosure requirements, and in some cases, unit holder approval.

Diagram 12

Levers towards a vibrant and effective secondary securities market



Greater growth across the industry value chain

To remain competitive and relevant, it is imperative for intermediaries to optimise existing resources, enhance productivity and improve investor experience. Recognising this, the SC intensified its focus in 2018 to work with industry players to identify and reduce barriers to growth.

• Liberalising margin financing rules

Prior to the liberalisation, the exchange rules limited the aggregate margin financing of a Participating Organisation (PO) under a risk-based regime as well as imposed a hard

limit of $\leq 200\%$ of their effective shareholders' funds. Non-bank-backed brokers often reach the limit on margin financing, and find it hard to compete with bank-backed brokers that leverage the bank's capital to offer margin financing.

Effective March 2018, the existing 200% limit for margin financing was removed but the overall prudential safeguards under the risk-based regime remained. This provided brokers with greater flexibility in providing margin financing facilities to their clients, allowing them to be more competitive through better utilisation of their capital base.

COMPLIANCE REQUIREMENTS FOR IDSS

To ensure that IDSS activities are subject to adequate controls, Rules of Bursa Malaysia Securities Bhd have been amended to incorporate the necessary safeguards. These include the following compliance requirements:



Maintain market stability

- IDSS suspension if a stock price falls by more than 15% from the previous day's closing price or if the gross short-selling volume exceeds the limit of 3% of outstanding shares per security.
- All sell positions must be closed off on the same day with buy positions to minimise potential system disruption.



Safeguard investors' interests

- Enter into an agreement to borrow or purchase securities to settle any potential failed trades in the event the sell position is not closed out by end of day.
- Execute IDSS risk disclosure statement.
- Provide written declaration that they fully understand IDSS requirements.



Ensure adequate broker control

- Robust Know Your Client and suitability assessment.
- Tagging of all proposed IDSS orders.

• BRIDGe-ing the gap

Digitising the brokerage industry is key towards enhancing broker's growth, expanding reach to new and younger investors as well as improving customer experience. Engagements with industry players reveal that digitisation opportunities exist across the value chain, starting with customer onboarding to settlement of trades and execution of corporate actions. These opportunities will however need the support of a wider financial services ecosystem.

The Brokerage Industry Digitisation Group (BRIDGe), comprising representatives from the SC, BNM, Bursa Malaysia and industry panels including banks, payment service providers,

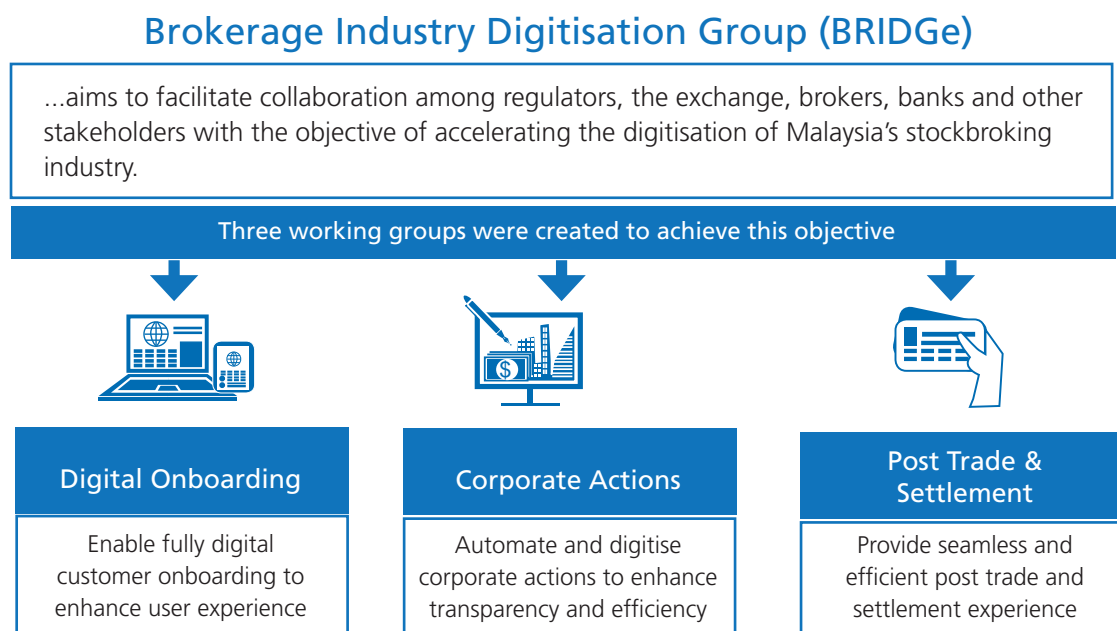
brokers as well as share registrars was established in August 2018. Together, BRIDGe serves to accelerate the digitisation of the country's stockbroking business.

• Brokerage Industry Consultative Committee as an open channel of communication

Brokerage Industry Consultative Committee (BrICC) was established to ensure that issues specific to the capital market sub-sector are addressed. It convened its first meeting in October 2018, engaging the stockbroking industry on issues relating to market development, operational efficiency and regulation.

Diagram 13

Objective of BRIDGE



Greater value recognition of mid and small cap companies

In 2017, the MidS Research Scheme with the objective of creating better value recognition of mid and small cap companies was operationalised. Additionally, Government-linked Investment Companies had committed to direct investments of up to RM2 billion to this segment.

2018 saw additional efforts targeted at enhancing trading activities for the mid and small cap companies – this includes lowering the trading cost for this segment and enabling opportunities to gain exposure or hedge with a new derivatives contract based on the FTSE Bursa Malaysia Mid 70 Index.

- **Greater MidS research coverage**

The number of MidS research reports has increased 3 times, from 421 reports in 2017¹² to 1,259 in 2018, covering 94 companies.

- **Three-year stamp duty waiver on the trading of shares in mid and small cap companies**

Applicable to 351 companies with a market capitalisation of between RM200 million to RM2 billion, the stamp duty waiver will lower the cost of trading in this segment.

- **Mini FTSE Bursa Malaysia Mid 70 Index Futures (FM70)**

Launched in August 2018, the cash settled futures contract is based on the FTSE Bursa Malaysia Mid 70 Index. Designed to be a smaller contract in both size and value, the FM70 exhibits greater volatility inherent in the underlying mid-cap stocks.

The introduction of FM70 contract enables investors to hedge or gain exposure into the FTSE Bursa Malaysia Top 100 stocks when

¹² The MidS research scheme was operationalised in May 2017.

trading in both the FM70 and FTSE Bursa Malaysia Kuala Lumpur Composite Index Futures (FKLI) contracts. This saw 173,132 contracts traded and 327 open interest as at end 2018.

Greater diversity in investors

The Malaysian securities market has traditionally seen a high concentration of long-only investors i.e. investors that take a buy position in the market. In addition, Malaysia suffers from an ageing retail trading population, with many above 40 years old.

To improve market liquidity, an infusion of other investor groups is needed. In line with this, the SC has focused its efforts in 2018 on bringing new investors and liquidity providers to the market.

- **Incentivising new investors to join the market**

From March to August 2018, exchange trading and clearing fees were waived for first-time individual investors with new Central Depository System (CDS) accounts. This is to rejuvenate the pool of investors, especially those from the younger demography. It resulted in bringing 11,083 new investors into the market, with over RM1.2 billion value traded over the six months.

- **Incentivising liquidity providers**

Incentive programmes were implemented by Bursa Malaysia targeting two categories of investors:

- Trading specialists who are eligible high volume individual traders sponsored by brokers; and
- Proprietary traders (both non-PO and PO)

To enjoy a reduction in clearing fees, these investor groups are required to trade volumes exceeding a defined target.

In 2018, 11 proprietary traders and 12 trading specialists registered as part of this programme. In the most part of 2018, registered participants were on the whole, trading above their 2017 average and as a result provided a buffer in times of low Average Daily Value (ADV).

COLLABORATING FOR GROWTH AND INNOVATION

To accelerate growth and innovation within the capital market, the SC has put in place several enablers to support the capital market community. These efforts are centred around five key pillars: thought leadership, co-operation with global regulators, international integration and ASEAN

Diagram 14

Five key pillars for growth and innovation

Thought Leadership

Thought leadership events held in collaboration with global and regional committees enable industry stakeholders and regulators to identify global trends, growth opportunities and/or risks.

Regulatory Co-operation

Facilitates sharing of relevant expertise, insights and support to develop the Malaysian market, and contribute to overall regional or global development.

International Integration and ASEAN Connectivity

Greater regional connectivity through improved market access, cross-border product offering and increased mobility of licensed persons.

Capacity Building

Capacity building hubs and programmes serve to develop skills and knowledge of both regulators and industry players.

Engagement

Opportunities for regulators and industry stakeholders to engage, dialogue and work towards greater alignment of policies and industry initiatives on development and innovation.

connectivity, capacity building and purpose-driven engagements.

Contributing to global and regional thought leadership

In 2018, the SC led international policy work in several areas that support and complement domestic priorities. Through the SC's leadership role within IOSCO, Islamic Financial Services Board (IFSB) and Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation (COMCEC), the SC remained at the forefront of global discussions and played a pivotal role in several areas of thought leadership.

As part of IOSCO, the SC's participation covered areas such as:

- Cybersecurity, where a *Guidance Note on Cybersecurity for Regulators in Emerging Markets (Guidance Note)* was developed in April 2018. This is the first time that guidance has been developed for securities regulators globally with measures relating to governance frameworks, mechanisms and controls on the identification, protection, detection, response and recovery. The Guidance Note also discusses approaches to enhance international collaboration and information sharing as well as strengthening of regulatory capabilities in this area. Furthermore, it helps provide a basis for emerging market regulators to develop their own domestic cybersecurity policies; and
- Regulation of secondary markets, where issues relating to liquidity in bond markets, mechanisms used by exchanges to manage volatility and the regulation of crypto asset trading platforms were reviewed.

The SC's commitment to sustainable finance at the global level is also reflected through its leadership in the IOSCO GEM Committee Working Group on Sustainable Financing. The output is expected to facilitate a degree of international consistency given

the cross-border and global nature of sustainable finance instruments.

In the area of ICM, the SC continues to play its role as a global thought leader by:

- Contributing to development of standards and research through IFSB and COMCEC respectively to guide policies and developmental work. In 2018, two reports titled *Islamic Fund Management* and *The Role of Sukuk in Islamic Capital Markets* were published by COMCEC. Malaysia was used as a reference case as a mature ICM in both reports; and
- Championing research on topics of contemporary relevance to Islamic finance through the annual Scholar in Residence Programme, a key initiative under the SC-OCIS collaboration.

Biennially, the SC and BNM recognise and honour Islamic finance global thought leaders through the Royal Award for Islamic Finance. In 2018, the Award was bestowed upon Tan Sri Dr Zeti Akhtar Aziz.

A key milestone of the SC's role in global thought leadership, the WCMS was held in February 2018. With the theme 'Renaissance of Capitalism: Markets for Growth', WCMS brought together global thought leaders, policymakers and industry experts on the future of finance and its sustainability for future generations.

Furthering regulatory co-operation and linkages

The SC continues to strengthen regulatory co-operation and linkages with international counterparts to help shape domestic policies as well as ensure that the approach is in line with global best practices. The relationships that the SC has cultivated over the years have enabled it to tap relevant expertise, insight and requests for necessary assistance to support the SC's role and functions.

WORLD CAPITAL MARKETS SYMPOSIUM 2018 RENAISSANCE OF CAPITALISM: MARKETS FOR GROWTH

Kuala Lumpur
6 & 7 February 2018

The World Capital Markets Symposium (WCMS) biennially brings together global thought leaders, providing a platform to promote informed discussion by prominent policymakers, thought leaders and key industry experts.

The fifth installment hosted by the SC and organised by Capital Markets Malaysia, was themed 'Renaissance of Capitalism: Markets for Growth'. It explored the future of finance and ways it can produce sustainable outcomes for the present and future generation. The Symposium discussed the reorientation of financial markets, including how innovation and technology can be leveraged to create greater efficiencies and facilitate steady, sustainable and inclusive growth.

As external conditions evolve, good governance becomes all the more critical in enabling organisations to manage and sustain growth. The Symposium also discussed ways to achieve a balance between meeting short-term imperatives while focusing on long-term optimisation and value creation.

The Symposium gathered expertise on the importance of various segments of society, including the role of women in leadership and youth empowerment.

Selected Speakers



Helen Clark
Former Prime Minister
New Zealand



Ashley Alder
Chief Executive Officer
Securities & Futures Commission
Hong Kong



Dr Michael Spencer
Chief Economist Asia
Deutsche Bank
Hong Kong



Jin Lique
President & Chairman
Asian Infrastructure
Investment Bank
China



Fareed Zakaria
Host
CNN's Fareed Zakaria GPS
US



Douglas Flint
Former Group Chairman
HSBC
UK



Junko Nakagawa
Senior Managing
Director
Nomura Holdings
Japan



Nicol David
Eight-time World Squash
Champion & UNDP
National Goodwill
Ambassador
Malaysia



Riz Khan
International Journalist
& Broadcaster
UK



Yanis Varoufakis
Former Finance
Minister
Greece



Edwin Macharia
Partner, Dalberg Africa
Kenya

In the area of Fintech, following the innovation co-operation agreements (Fintech bridges) entered into by the SC in 2017, a new Fintech bridge with Finansinspektionen Sweden was established in 2018. The Fintech bridges facilitate information sharing on emerging trends, regulatory developments in digital finance, referrals of innovative businesses seeking to operate in respective jurisdictions and potential joint innovation projects. This is complemented by the SC's involvement in the IOSCO Fintech and ICO Networks, which enables members to foster dialogue in the exchange of information and potential collaboration.

In October 2018, the SC hosted a series of discussions among senior capital market regulators from the Asia Pacific. The dialogues focused on, among others, supervisory issues and challenges as well as the investigation and enforcement of capital market offences across borders. In conjunction with these meetings, the SC also hosted the third European Union-Asia Pacific Forum on Financial Regulation. Senior regulators from the European Union (EU) and the Asia Pacific region shared views on cross-border regulation and development, including the implementation of EU regulations and developments relating to Brexit and the implications to markets within the Asia Pacific region. Through such discourse, the SC is able to gain insights and tap on relevant experience and expertise of other markets.

Enhancing international integration and promoting ASEAN connectivity

To safeguard the interests of Malaysia's overall international trade and economic agenda, cross-border investments and corporate expansions, the SC has been actively involved in various regional and international committees as well as trade agreements. This includes participation in:

- Asian Bond Market Initiative to facilitate greater market development and integration of regional bond markets; and

- Regional Comprehensive Economic Partnership (RCEP), an ASEAN-led trade agreement comprising all 10 ASEAN member states as well as Australia, China, India, South Korea, Japan and New Zealand, to create a mutually beneficial agreement by reducing trade barriers and providing certainty of market access for businesses and investors.

To promote a more connected, sustainable ASEAN capital market with greater market access, the SC encouraged liberalisation through the ASEAN Working Committee on Financial Services Liberalisation. The SC also led efforts through the ASEAN Working Committee on Capital Market Development and ACMF.

A key thrust of the ACMF is to support greater regional connectivity including through promoting ASEAN asset classes, cross border product offerings and the mobility of capital market professionals.

Achievements in 2018 include the launch of the ASEAN SBS and ASEAN SUS. In addition, 15 funds have been recognised since October 2014 as Qualifying Collective Investment Schemes (six of which have commenced cross-border offering) since the launch of the ASEAN Collective Investment Schemes (CIS) Framework. In 2018, the ASEAN CIS Framework was enhanced to promote greater cross-border offerings of ASEAN funds by allowing fund managers to offer a broader range of products to investors in the region. The ACMF's key corporate governance (CG) initiative, the ASEAN CG Scorecard Assessment continued to highlight governance standards and promote investability of ASEAN public-listed companies (PLCs), with Malaysia having the most number of companies with 14 companies listed among the top 50 ASEAN PLCs honoured at the ASEAN CG Awards in November.

Another important aspect of enhancing greater regional connectivity is the mobility of capital market talent within the region. In October 2018, the Memorandum of Understanding (MoU) on the

ASEAN Capital Market Professional Mobility Framework was first signed by four ASEAN regulators, to be followed by the participation of other countries in due course. This forms part of Phase 1, which will see the creation of the 'ACMF Pass' to facilitate cross-border movement of investment advisers, thereby allowing ASEAN investors access to professionals with home-market expertise.

Strengthening capacity building

Since its establishment in 2017, the IOSCO Asia Pacific Hub has initiated various capacity building initiatives to facilitate closer cross-border regulatory co-operation and strengthen regulatory capabilities within the region. The Hub has trained more than 200 participants from over 35 countries from developed and emerging countries, including domestic stakeholders.

Programmes conducted by the Hub in 2018 included Self-Assessments of the IOSCO Principles of Securities Regulation, Countering Money Laundering and Terrorism Financing in Securities Markets, Application of Behavioural Economics for Investor Education and Protection as well as Climate-Related Financial Disclosures.

In addition, the SC together with Securities Industry Development Corporation (SIDC) continues to run the Islamic Capital Market Graduate Training Scheme programme to produce entry-level professionals with strong fundamental knowledge and skills for the ICM. This eight-week programme, held twice a year, has trained over 762 participants since its inception in 2009.

Engaging the industry

To drive greater growth and innovation in the capital market, regular engagements and dialogues are held to better align the SC's developmental policies and industry initiatives.

During the annual SC Industry Dialogue 2018, discussions were held with market participants including securities and derivatives brokers and other stakeholders involved in corporate finance activities, investment management, financial planning and CG. Discussions centred on the necessity for digitisation, further internalisation of CG culture in the capital market ecosystem, promotion of green financing and Malaysia's position as a regional SRI hub as well as capacity building for sustainable talent development.

At the dialogue, the SC announced several initiatives to facilitate continued growth, greater market flexibility and efficiency. These included reconfiguration of the primary market approval process; establishment of a working committee to develop strategies to further strengthen Malaysia's position as a regional market leader in sustainable finance; and a policy review for the offering of the Undertaking for the Collective Investment in Transferable Securities (UCITs) to Malaysian investors, taking into consideration fair treatment of local fund managers.

