



Suruhanjaya Sekuriti
Securities Commission
Malaysia

SECURITIES COMMISSION MALAYSIA ANNUAL REPORT 2023

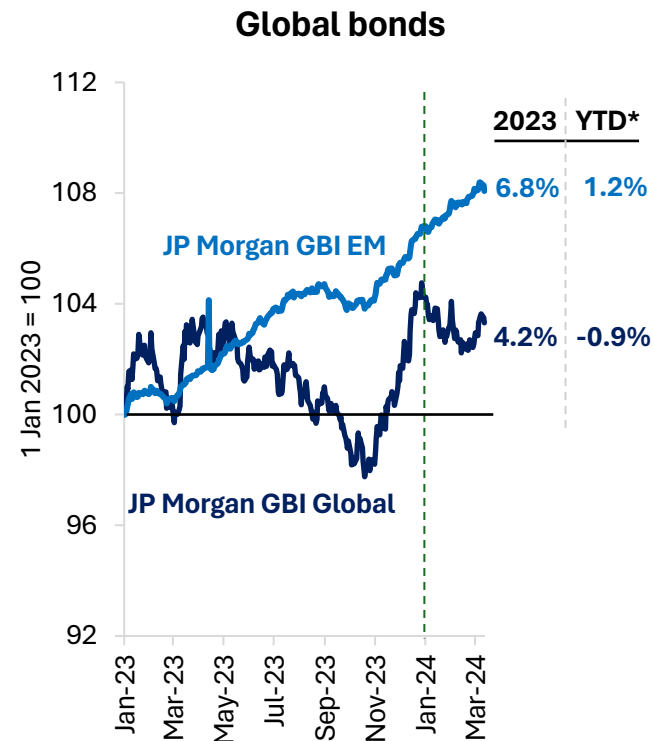
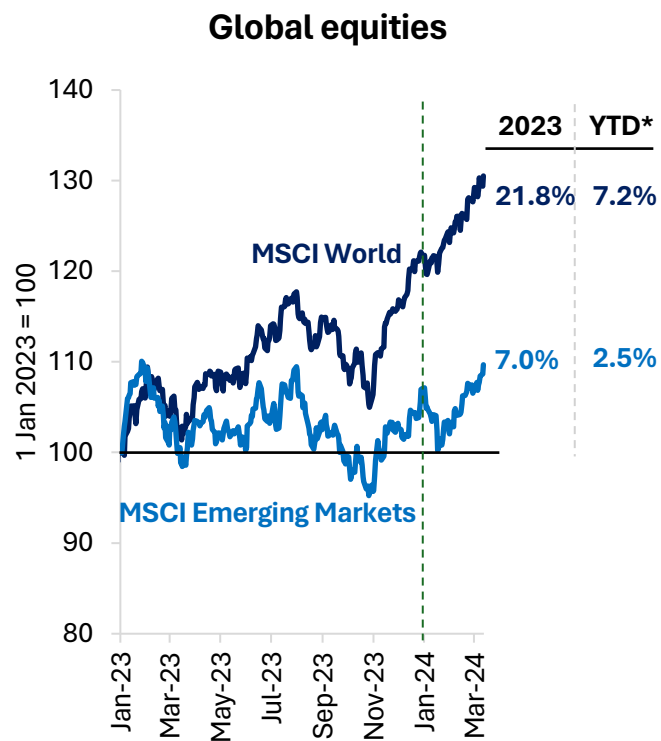
Briefing
25 March 2024

Part 1

Capital Market Review & Outlook

The global capital market ended higher in 2023

Global equities and bond markets performance were positive in 2023



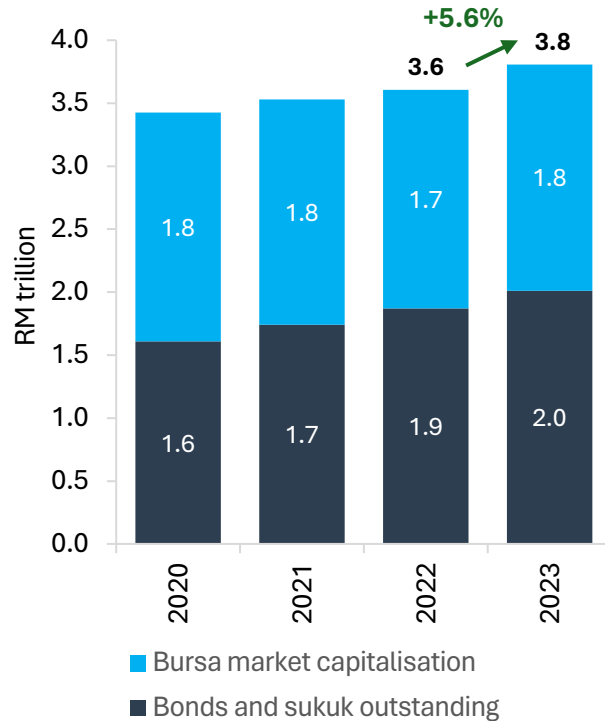
- The **global capital market recorded positive performance in 2023**, despite a challenging year.
- This reflected investor expectations that global interest rates may have peaked.
- Moderating inflation in major economies.
- However, volatility will continue to be driven by global monetary and geopolitical uncertainties.

Source: Refinitiv Eikon Datastream. Note: *as at 12 March 2024

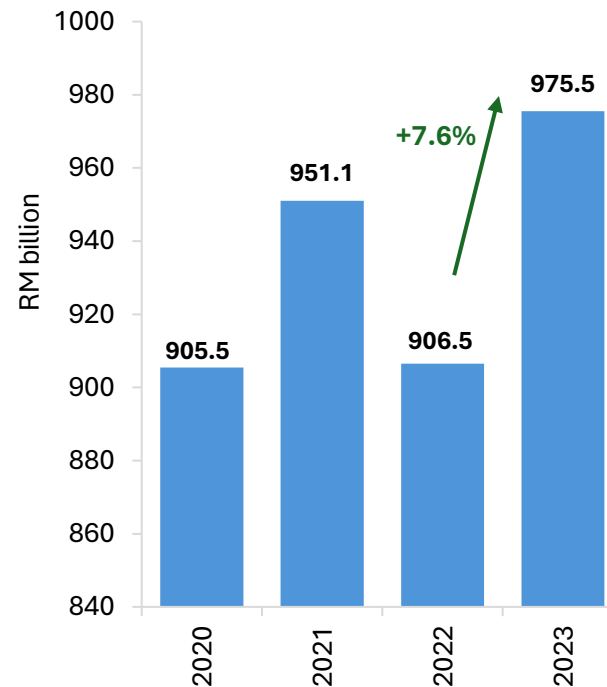
The Malaysian capital market remained resilient

The Malaysian capital market grew in 2023, while AUM rose to a new high

Malaysian capital market size



Total AUM of the fund management industry



- Size of the capital market **rose 5.6% to RM3.8 trillion in 2023** (2022: RM3.6 trillion), driven by growth in total market capitalisation and bonds and sukuk outstanding.
- **AUM of the fund management industry expanded to a new high of RM975.5 billion** (2022: RM906.5 billion) due largely to greater asset allocation in foreign markets.

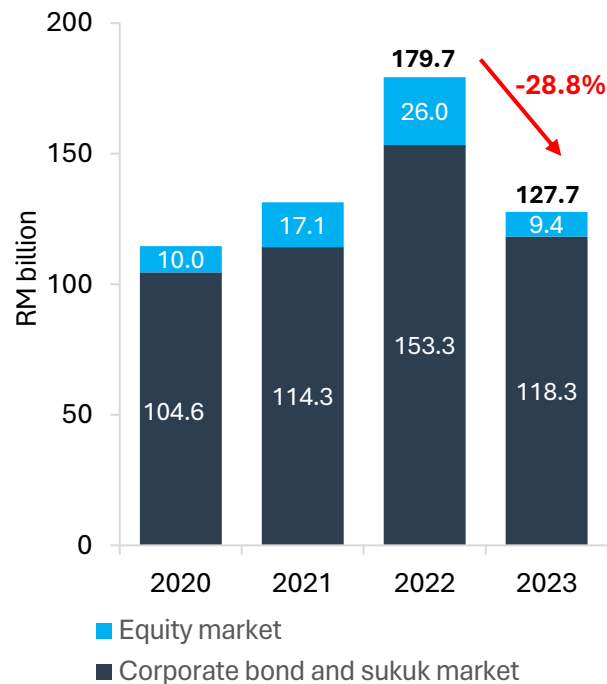
Source: SC's calculations, Bursa Malaysia

Note: ¹Funds raised via ECF/P2P was RM2.2 billion (2022: RM1.7 billion), while VC/PE rose to RM1.6 billion (2022: RM1.2 billion)

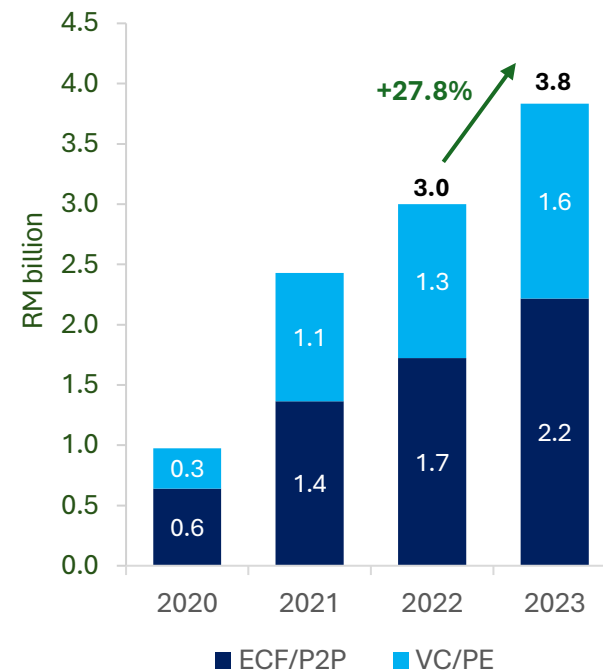
Fundraising activity moderated but alternative financing for MSMEs improved

Fundraising in the equity and bond market moderated, but ECF/P2P and VC/PE activities improved

Fundraising in the equity and corporate bond market



Alternative fundraising



- Fundraising in the equity and corporate bond market **moderated to RM127.7 billion in 2023** (2022: RM179.4 billion).
- IPOs improved to RM3.6 billion** (2022: RM3.5 billion), while **secondary fundraising was RM5.8 billion** (2022: RM22.6 billion), returning to pre-pandemic levels.
- Corporate bond and sukuk issuances declined to RM118.3 billion** due to lower refinancing demand (2022: RM153.3 billion).
- Encouraging alternative finance¹ activities**, with total funds raised amounting to RM3.8 billion (2022: RM3.0 billion).

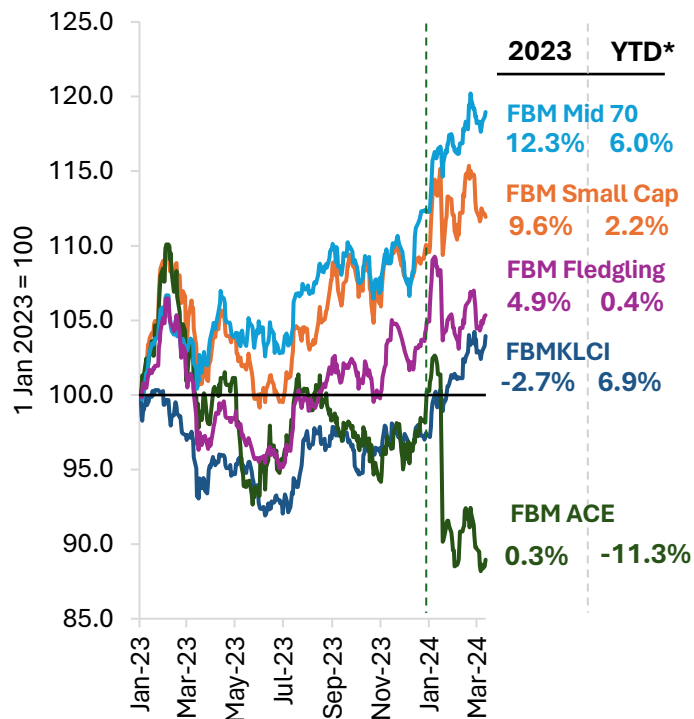
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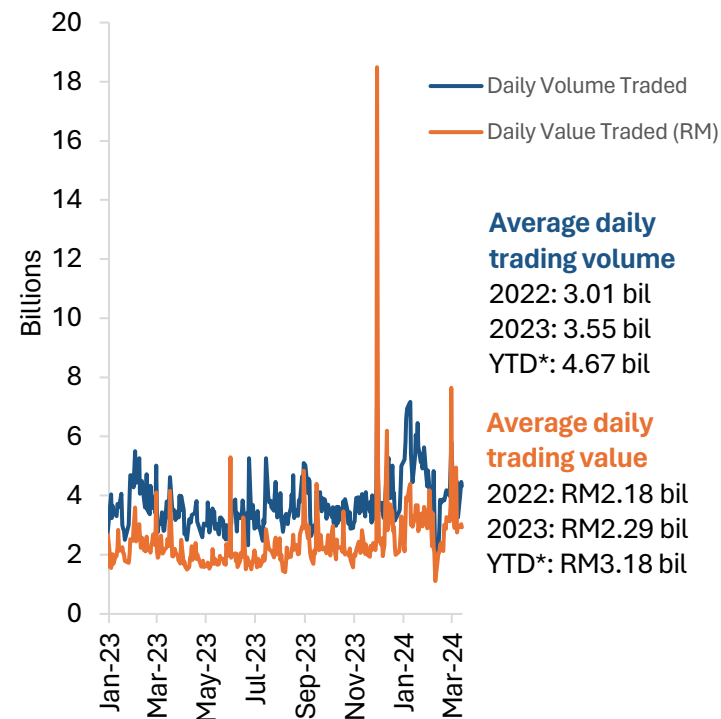
Domestic equity market performance was mixed in 2023

The domestic equity market experienced a positive shift in sentiment towards the mid and small cap segment

Selected Bursa indices



Equity daily trading volume and value

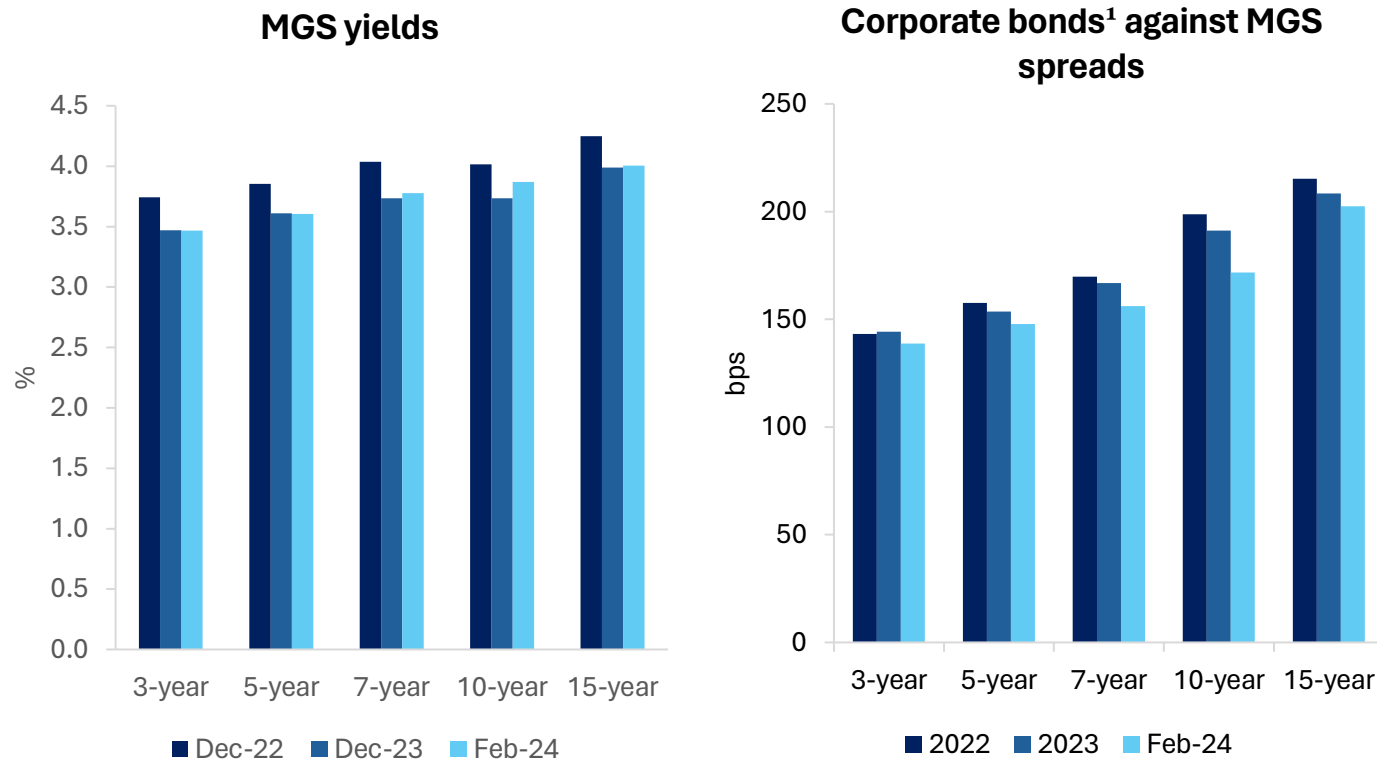


- **KLCI declined by 2.7%**, while **Mid 70 rose by 12.3%** and **Small Cap by 9.6%**.
- **Favourable momentum** seen in the latter part of 2023 and early 2024 **is expected to continue**, with the KLCI gaining 6.9% YTD.
- **Daily trading volume and value improved** especially in 2H2023, possibly due to stamp duty reduction effective July 2023.

Source: Refinitiv Eikon Datastream. Note: *as at 12 March 2024

The domestic bond market remained stable

MGS yields declined, while corporate bond credit spreads narrowed in 2023 on stable domestic interest rate










- **MGS yields were lower, while corporate bond credit spreads narrowed** relative to 2022 levels.
- The **domestic bond market saw the return of foreign investors**, with net inflows of RM25.8 billion in 2023 (2022: net outflows of – RM9.8 billion).

Source: Refinitiv Eikon Datastream.

Note: ¹Corporate bonds and sukuk rated between AAA and BBB

In terms of capital market stability, the market remained resilient with no systemic risk observed

Components	Observations in 2023
 Equity Market & Infrastructure	<ul style="list-style-type: none"> Total market capitalisation improved, driven by more stable market sentiment; market risk management mechanisms were in place with no circuit breaker triggered in 2023
 Bond Market	<ul style="list-style-type: none"> MGS yields ended lower, but volatility was driven by uncertainty surrounding the US Fed's monetary policy; corporate bond default rate remained low
 Digital Assets	<ul style="list-style-type: none"> Average daily trading value decreased in 2023; domestic digital assets remain small compared to the domestic equity market
 Investment Flows	<ul style="list-style-type: none"> Liquidity in domestic equities continued to be supported by local institutional investors; foreign holdings in equities declined, though foreign holdings in bonds increased marginally
 Investment Management	<ul style="list-style-type: none"> AUM grew primarily attributed to positive valuation effect in both foreign and domestic markets; stress test results show sufficient liquidity to manage any potential increases in redemption
 Stockbroking Intermediaries	<ul style="list-style-type: none"> Stockbrokers and investment banks remained resilient and have sufficient capital buffers to manage their respective liquidity positions prudently
 PLCs	<ul style="list-style-type: none"> PLCs showed higher earnings, mainly attributed to transport and financial services sectors

* As per the Capital Market Stability Review 2023

AOB Annual Report Highlights

ACGA CG Watch 2023 – Auditors and Audit Regulators category

- Malaysia **ranks first** in 3 consecutive assessments

New registrations and recognition of auditors and audit firms

- **34 new individuals** and **1 new firm** registered
- **1 new individual** recognised

Risk-based inspections

- Inspected **15 firms**, **50 individual partners** and **50 audit engagements**

Deterrent enforcement

- **3 individual partners** reprimanded and prohibited from accepting public interest entities (PIEs) and schedule fund clients
- Total monetary penalty of RM75,000 imposed

Regulatory Landscape



374 Registered individual auditors
41 Registered and recognised audit firms

Involved in...



Audits of **1,256** PIEs with
RM1,744b PLC market capitalisation



Audits of **1,339** Schedule Funds
 with
RM696b Net asset value

Part 2

2023 Focus and Achievements

In 2023, the SC continued to regulate and develop the capital market by focusing on the following:

1

Strengthen regulation and enforcement

- Review of CMSA and SCMA
- Investor protection - Unlicensed activities and scams
- Improved gatekeeping processes
- Proactive surveillance and supervision

2

Market development

- Sustainable and Responsible Investment (SRI)
- Corporate Governance
- Islamic Capital Market (ICM)
- Public and private market ecosystem

3

Strategic engagement with key stakeholders

- Engagements to facilitate SC policymaking
- International and domestic collaborations
- Stakeholders' perception survey

4

SC as a sustainable and high-performing organisation

- Fostered an outcome-based work culture
- Improved systems and processes
- Towards a more sustainable organisation

1 Strengthen regulation and enforcement: Review of CMSA and SCMA

CMSA: Ensuring that it continues to promote market development

Enhancing governance of markets & market institutions

- Modernising provisions to cater for new products and innovations

Introduction of single-tier licensing regime and active registration framework

- Promoting parity in treatment of capital market institutions and their representatives

Introduction of a new product approval and disclosure framework

- Aligning approval and disclosure framework to cater for market needs

Effective enforcement

- Ensuring enforcement tools provide for effective deterrence

SCMA: Ensuring the SC continues to function effectively

Ensuring effectiveness of AOB

- Enhancing AOB's scope of oversight on reporting accountants

Modernising SC's supervisory and enforcement powers

- Ensuring SC's supervisory and enforcement powers remain effective in a digitalised capital market

Enhancing SC's governance

- Strengthening SC's governance arrangements and operational processes

1 Strengthen regulation and enforcement: Investor Protection

Focused efforts to counter scams and intensified investor education & awareness

- Managed **increasing number of complaints:**

3,262

Complaints and enquiries on scams and unlicensed activities

569

Potentially unlicensed activities involving websites and social media platforms





- Established a **Task Force on Scams and Unlicensed Activities** to coordinate SC's anti-scam intervention:
 - Enhanced Investor Alert List
 - Launched Investment Checker and Scam Meter

- Investor education events – Coverage of approx. 540,000 participants** through 56 awareness and outreach events:




- InvestSmart® Fest 2023
- InvestSmart® @ Program Setahun Bersama Kerajaan MADANI
- InvestSmart® @ Bursa Marketplace Fair 2023
- Bersama InvestSmart® @ Penang
- FEN's Financial Literacy Month 2023
- F2F Digital Clinic for Urban B40 / Seniors
- Program Agen Bijak Labur Desa

- Awareness campaigns through social media:**





 33 mil impressions




 Reaching 13 million unique users in 2023

1 Strengthen regulation and enforcement: Enforcement

Enforcement outcomes

Criminal Action



5

convictions obtained



RM8.7 mil

court fines

Compounds



RM0.3 mil

compounded
amount



2

individuals
compounded

Administrative Action

140

admin
sanctions
imposed



80

reprimands issued

44

penalties/ fines imposed
amounting to

RM19.5 mil

Civil Action



3 concluded civil
actions (involving
15 defendants)



RM4.8 mil

civil penalties
imposed



RM0.3 mil

restituted to
119 investors



RM13.8 mil

Total
disgorgement

1 Strengthen regulation and enforcement: Gatekeeping

Enhanced gatekeeping and authorisation processes

- **Shortening time to market** from more than six (6) months to three (3) months by introducing the Focus Scope Assessment (FSA) in Feb 2024
- **Expedited IPO approvals on the Main Market and ACE Market** to a three (3) months approval period for new IPO applications received from 1 March 2024
- **Number of registrations and approvals:**

16

approval of new
CMSL¹
(2022: 6)

9

registration of
new RMOs
(2022: 0)

13

registration of
new VC/PE
players
(2022: 9)

18

approval of equity
fundraising
applications
(2022: 16)

64

corporate bonds
and sukuk
lodgements
(2022: 62)

Notes:

¹six approval-in-principle (AIP)

1 Strengthen regulatory and enforcement: Surveillance and Supervision

Conducted proactive surveillance & supervision

- Using **Supervisory Technology (SupTech)** and **data analytics** to enhance surveillance & supervision:

1,405

assessments on trading anomalies

118

PLCs under greater scrutiny

166

reviews of potential corporate misconduct

- Promotion of proper conduct and financial soundness**, as well as swift intervention to address non-compliance:

28

planned supervisory assessments

113

for-cause assessments

286

capital market intermediaries surveyed on culture and practices

- Conducted **tech and cyber supervisory assessments** which highlights greater need for industry to step up on governance and controls

1 Strengthen regulatory and enforcement: Surveillance and Supervision

PLC360: Our own AI-powered surveillance tool which give us a robust oversight of PLCs and auditors

1



Predict
likelihood of
misconduct

2



Detect key risk
areas and
identify
emerging
trends

3



Monitor
financial
health for all
PLCs

4



Connect
multiple data
sources

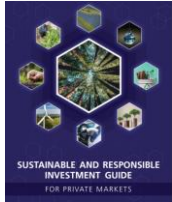
5



Identify
connections
between auditors
and PLCs

2 Market development: Sustainability

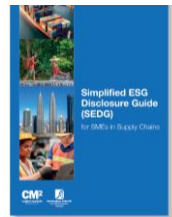
Continued to facilitate ESG through the Capital Market



Issued the **SRI Guide for Private Markets** to incorporate sustainability in the investment process of private market operators



Supported the release of **ASEAN Taxonomy for Sustainable Finance V2**, bolstering Malaysia's green recovery agenda and ambition to achieve net-zero emissions



Published the **simplified ESG disclosure (SEDG) guide for SMEs** to guide SMEs in making necessary disclosures for exports



Established an **inter-agency Advisory Committee on Sustainability Reporting (ACSR)** to develop the National Sustainability Reporting Framework

2 Market development: Corporate governance

Strengthened corporate governance practices



Maintained **5th position** among 12 Asia-Pacific markets in the **Asian Corporate Governance Association's (ACGA) Corporate Governance Watch (CG Watch) 2023 assessment**

1st

In the category of
auditors and audit
regulators

2nd

in the category of
Corporate
Governance by
PLCs

2nd

in the category of
Corporate
Governance Rules

6 out of 7

categories of
assessment
recorded
improvements



Improved **Board Diversity** - women represented 30.7% of board members in the top 100 PLCs (achieving target of 30%) as of 1 December 2023



Rolled out a **Mandatory Training Programme (Leading for Impact)** on Sustainability for directors, with 1,000 registered to date

2 Market development: Islamic Capital Market

Deepened the ICM Ecosystem



Issued the **Maqasid al-Shariah Guidance** to strengthen the competitive edge of ICM



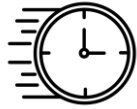
Introduced **FIKRA ACE**, the enhanced Islamic fintech accelerator to expand Islamic fintech and cultivate its talent pool



Establishment of **Sultan Nazrin Shah Chair** in Oxford to strengthen SC-OCIS collaboration

2 Market development: Public market fundraising

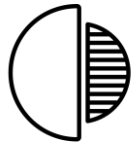
Increasing the attractiveness of the Equity Capital Market



Accelerated transfer process introduced to facilitate **promotion of eligible ACE Market companies to Main Market** to enhance overall equity market attractiveness



Facilitated the reduction of stamp duty for share trading on Bursa to make investor trading costs more affordable



Introduced fractional share trading to enhance accessibility to the stock market



Expanded the sophisticated investor categories to include knowledge and experience criteria

2 Market development: Private market fundraising

Continued promotion of alternative financing to support MSMEs and MTCs' funding needs



MoU with SME Corp – facilitating MSMEs' access to capital markets, targeting for 200 capital market-ready MSMEs by 2026

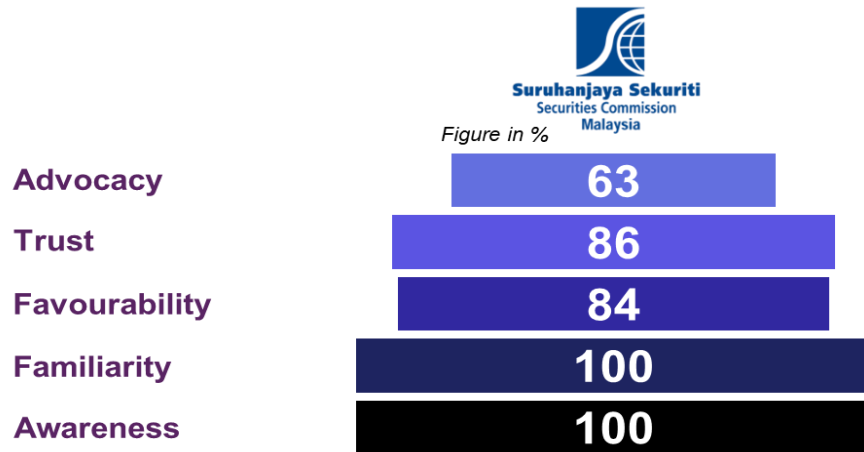
Over
15,000
businesses
financed
through ECF
and P2P
financing,
raising more
than
RM6 billion
since inception

- Strong growth for **ECF/P2P financing fundraising to businesses outside Klang Valley** to RM811.6 mil, making up 37% of total funds raised
- Record growth of 3.7 times in **Shariah-compliant financing** to RM524.8 mil (from RM140.8 mil in 2022)
- Approved **2 new ECF market operators with Shariah solutions** and **1 new MTC-focused P2P** financing platform
- **MyCIF co-investments** as at end of 2023 stands at to RM930 million across 6,328 MSMEs*
- A series of **SCxSC programmes** to raise awareness on alternative financing – with SCxSC GROW enabling agricultural expansion to support food security agenda

*amount since inception in 2019

3 Strategic engagements with key stakeholders

Understanding stakeholders' perception



The results from the Stakeholder Perception Survey in 2023 illustrated that the SC is **generally well regarded by stakeholders**

Engagements with stakeholders

International Stakeholders



ISLAMIC FINANCIAL SERVICES BOARD

- Actively participated in **global regulatory policymaking** through IOSCO with other regulators
- Engaged **regulators, central banks and finance ministries** in ASEAN to promote connectivity
- Strategic engagement with **international audit regulators, standard setters and audit committees**

Industry



- Held engagements with industry players through the **SC Industry Dialogue 2023**
- Maintained **regular engagements with the industry** as well as holding active dialogues with applicants and their advisors

3 Strategic engagements with key stakeholders: Capacity building

Strengthened the Capital Market talent pipeline



Launched **InvestED**, an initiative borne out of the **SC Industry Dialogue 2022** - The programme has exceeded all its KPIs since its launch in June 2023, with 171 trainees successfully placed and the first cohort graduating in May 2024



Completed the **final cohort of the ICM Talent Development Programme**, aimed at upskilling graduates for careers in ICM. Since 2009, 1,007 individuals have completed the programme



Developed **Shariah Mentorship Programme** with a focus on developing a sustainable talent pipeline for Islamic capital market featuring a first cohort of 15 successful applicants

4 Towards becoming a more Sustainable and High-Performing Organisation

Key Enterprise-Wide Projects



Continued with the implementation of **3-year Business Plan** and **SC Corporate Scorecard**



Continued roll-out of the **Technology and Analytics Masterplan** focusing on data and Supervision Technology (SupTech) capabilities



Developed the **Organisational Anti-Corruption Plan (OACP) 2024-2026** to bolster strategies in governance, integrity, and anti-corruption



Conducted a review of **SC's Financial Sustainability**



Established the **Sustainability First Initiative (SFI)**, aiming for carbon neutrality by 2040 and net-zero by 2050

Part 3

Plans for 2024

In 2024, the SC will undertake these key initiatives to continue to facilitate the capital market development

Regulatory Initiatives



Ensuring regulatory effectiveness to combat money laundering and terrorist financing - Through the upcoming industry-wide **Financial Action Task Force ("FATF") mutual evaluation**



Reducing time to market - continued implementation of the **Focus Scope Assessment (FSA)** and expedition of **IPO approvals** on Main and ACE Market



Widening investor protection

- Greater **surveillance against unlicensed activities** and **investment scams**
- Reviewing the **regulatory framework governing Unlisted Public Companies (UPCs)** to address gaps
- Greater **cross-border cooperation**

Developmental initiatives



Continuing to enhance the fundraising spectrum - Providing more MSMEs and MTCs with access to the private and public market fundraising pipeline through the upcoming **5-year MSME Roadmap**



Assessing potential for greater impact funds for social projects – Conducting a feasibility study and ecosystem assessment for the establishment of a **Social Exchange**



Ensuring a sustainable transition – Refining the **SRI Taxonomy Standards** to provide greater guidance to the industry and facilitate the implementation of ISSB standards through the development of a **National Sustainability Disclosure Framework**



Q&A