



Welcome Address by
Datuk Syed Zaid Albar, Chairman of Securities Commission
Malaysia
at the Synergistic Collaborations by SC (SCxSC)
Fintech Conference 2018
in Kuala Lumpur on 28 November 2018

Yang Berhormat Tuan Lim Guan Eng,
Minister of Finance Malaysia,

Members of the SC Board;

Distinguished guests, ladies and gentlemen.

A very good morning to everyone.

1. Welcome to Synergistic Collaborations by SC Fintech Conference 2018. This is the fifth instalment of **SCxSC**, and I am pleased to see that the event continues to attract such high and sustained interest.
2. Yang Berhormat Minister, on behalf of the SC, we would like to thank you for taking the time to be here this morning, and for agreeing to deliver the keynote address.
3. I would also like to extend a warm welcome to our distinguished guests and speakers, both from home and abroad. To our overseas visitors, thank you for coming and I hope that you will enjoy your visit to beautiful Malaysia.
4. To our partners: Rakuten Trade, the Malaysia Digital Economy Corporation (MDEC), the Bond and Sukuk Information Exchange (BIX) and Supercharger,

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we are grateful for your support in making this event a success. Thank you, also, to the media, who have continued to support our efforts in digitisation and fintech.

5. As you know, **SCxSC** is an annual gathering of policymakers, innovators, investors and financial services providers. This conference provides a platform where we can explore new ideas and identify potentially transformative technologies for the capital market.
6. This notion is encapsulated in the theme "*Embracing Technology*". Over the next two days, you will have the opportunity to immerse yourselves in sessions such as a fireside chat on AI, a live hacking demonstration and a workshop on blockchain. I trust that you will find these programmes insightful.
7. SC's focus on digitisation may not be intuitive for a regulator, but fits into our statutory mandate to not only regulate but also develop the Malaysian capital market. It is our belief that, if deployed within a framework of robust safeguards, technology and innovation could be harnessed to transform markets for the benefit of investors, intermediaries and the economy at large.
8. This is why the SC has introduced our Digital Markets Strategy in 2016. It outlines several key objectives that we aim to fulfil through the implementation of this strategy, and I would like to take the next few minutes to update you on our progress.

Ladies and gentlemen,

Enhancing access to financing

9. Recognising the capital market's role in financing the real economy, the first objective of our Digital Markets Strategy is *enhancing access to financing*. In doing this, we placed particular focus on the financing needs of businesses that currently may be underserved by the traditional financial sector.
10. Our focus on Micro, Small and Medium Enterprises – also known as MSMEs – is pertinent as they are not only the titans of the future, but also serve as a space

to nurture creativity and innovation. Alas, this segment traditionally faces challenges in obtaining financing, which is why efforts to develop sources of alternative financing are particularly critical to catalyse growth in this area.

11. In this regard, I am pleased to note that our market-based financing initiatives – namely Equity Crowdfunding (ECF) and P2P Financing – have continued to show strong progress. Both platforms have collectively raised more than RM200 million for almost 500 MSMEs across various sectors including hi-tech, education, retail, F&B and consumer products. It is encouraging that these platforms have also attracted a new demography of investors, particularly those aged 35 and below.
12. To build on this success and scale up the segment, the SC will assess new applicants who are interested in operating ECF and P2P Financing platforms. We will provide the public with more details in an announcement in the first half of 2019.
13. Moreover, the Government has also announced an allocation of RM50 million to co-invest in ECF and P2P Financing campaigns alongside private investors. I trust that this injection of capital will boost the development of market-based financing channels for small businesses, and we will continue to work closely with the industry to further strengthen this market.

Ladies and gentlemen,

Increasing investor participation

14. Such efforts to facilitate the *demand* for capital must be met in equal measure with efforts to stimulate *supply* of capital. For this reason, the SC has also focused on initiatives to increase investor participation, which would encourage greater inflows of funds into the capital market.
15. Significant effort has therefore gone into facilitating innovation in the portfolio management industry – particularly in providing value, customisation and a more cost-effective experience to investors.

16. To spur growth in this area, the SC has introduced the Digital Investment Management Framework in May 2017, which creates a category of fund managers who are licensed to offer automated discretionary portfolio management services. Under this framework, applicants must demonstrate a clear digital value proposition that places the users or investors at the heart of value creation.
17. I am pleased to report that the SC has received strong interest from new and existing players to apply for this license – with parties ranging from start-ups to fund managers and financial institutions. While the first Digital Investment Manager license has been awarded in mid-October, an approval-in-principle has also been granted yesterday with more applications currently under assessment.

Ladies and gentlemen,

Driving efficiencies through digitisation

18. Even as digitisation paves the way for the emergence of new players and business models, it is critical for incumbents to weather the wave of disruption by innovating and embracing the promise of technology. The SC continues to encourage intermediaries to pursue operational efficiencies, and earlier this year has set up the Broking Industry Digitisation Group.
19. Also known as BRIDGE, this initiative brings together regulators, brokers, the exchange and market infrastructure operators. Three work streams have been formed to develop practical solutions on how technology could be used to drive back office efficiencies and enhance investor experience, specifically in terms of client on-boarding, post-trade and settlement, as well as corporate actions.
20. These groups have been deep in discussion over the last few months and will be looking to share some concrete solutions in the near future.

Ladies and gentlemen,

Developing synergistic ecosystems

21. Having taken you through our strategies for issuers, investors and intermediaries, it is important to remember that a sustainable fintech ecosystem requires coordination and synergies among its participants. In 2015, the SC had launched the "*Alliance of Fintech Community*" – also known as aFINity – which now counts over 200 industry participants as its members. Since its inception, more than 200 engagement sessions have been conducted, including one-on-one meetings, focus group discussions and speaking engagements.
22. Under aFINity, a series of innovation labs were held to explore various uses of emerging technology within the capital market. The first project in this innovation lab was *Project Castor*, where we explored the technical implementation and feasibility of using Distributed Ledger Technology as the underlying market infrastructure for unlisted and OTC markets.
23. Today, I am proud to announce that *Project Castor* has now been completed. A document titled "*Capital Market Architecture Blueprint in a Decentralised World*" will be published, which outlines our vision for a future multi-tiered market environment. Such an environment will contain both centralised and decentralised markets, with the latter underpinned by distributed ledger technology.
24. You may also find in the Blueprint a description of the findings from our pilot project using the ECF ecosystem as an example. The launch of the Blueprint will also be accompanied by a microsite at www.castor.my which provides further technical details on this project.
25. For everyone who is interested in delving deeper into this subject, there will be an opportunity to participate in an interactive discussion during the Project Castor breakout session later this afternoon, and a booth at the Atrium that can provide more information.

26. I would also like to take this opportunity to thank our Project Castor partners from Neuroware, who have provided continuous support throughout the project.

Ladies and gentlemen,

Conclusion

27. Ultimately, while the demand for a seamless digital investment experience is typically associated with the younger generation, it would not surprise me if this will soon be the bare minimum of what is expected by investors from their financial services providers. Therefore, it is not enough to merely adopt technology – it will be vital for you to *embrace* it.

28. As a regulator, the SC strongly encourages the market to pursue responsible innovation. Therefore, rest assured that we will continue to facilitate efforts to further develop the capital market, while ensuring that investors will enjoy an enhanced value proposition within a framework which protects the rights and interests of all parties involved.

29. And on that note, I would like to bring my opening remarks to a close, and I look forward to an illuminating conference. Thank you.

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