



**PART 3  
ADVANCING A  
VIBRANT, INCLUSIVE  
AND SUSTAINABLE  
CAPITAL MARKET WITH  
REGIONAL AND ISLAMIC  
LEADERSHIP**

# PART 3 ADVANCING A VIBRANT, INCLUSIVE AND SUSTAINABLE CAPITAL MARKET WITH REGIONAL AND ISLAMIC LEADERSHIP

## INTRODUCTION

In 2025, the SC continued to pursue initiatives to catalyse innovation, broaden inclusivity and embed sustainability across the ecosystem. Additionally, Malaysia's Chairmanship of ASEAN provided a platform to advance regional collaboration and shape a more connected and resilient capital market across the region. This year's initiatives focused on unlocking new pools of capital, facilitating responsible and sustainable innovation, and strengthening market structures to broaden participation and resilience.

In driving market vibrancy, the SC broadened opportunities for investors and innovators alike. The introduction of the Single Family Office (SFO) incentive framework and the regulatory sandbox expanded avenues for wealth management and responsible innovation. Concurrently, the SC strengthened the digital asset and tokenisation ecosystem through clearer regulatory frameworks, a dedicated sandbox, and enhanced market infrastructure, supporting innovation and greater responsiveness to evolving investor needs. Collectively, these initiatives strengthened Malaysia's value proposition as a progressive and forward-looking market.

The SC also advanced its inclusivity agenda to ensure that capital market growth remains broad-based and equitable. Efforts were centred on enhancing access to market-based financing for MSMEs and MTCs through targeted programmes such as the Capital Market Roadmap, Elevate Programme and TERAJU Cohort. In parallel, the rollout of SEDG and its ASEAN counterpart, the *ASEAN ESG Disclosure Guide* (ASEDG), enhanced sustainability readiness and disclosure practices among smaller enterprises across supply chains.

In promoting sustainability, the SC made tangible progress in translating policy frameworks into real-economy impact. Key milestones included the implementation of the NSRF and issuance of the public consultation paper

on the *Sustainability Assurance Framework*, the launch of the Social Exchange and issuance of the *Guidelines on Social Exchange Platforms*, and ongoing efforts under the Coastal Flooding Adaptation and Resilience (COFAR) initiative. These measures underscore the SC's commitment to mobilising capital towards sustainable and inclusive growth, while reinforcing Malaysia's standing as a regional leader in driving a resilient, innovative and responsible capital market.

In strengthening Malaysia's position as the global leader in Islamic finance, Malaysia's ICM agenda will continue to be guided by a heightened emphasis on *Maqasid al-Shariah*, the higher objectives of Shariah, to ensure that market development remains not only Shariah-compliant but also purposeful, inclusive, and sustainable. This paradigm shift following the issuance of the *Maqasid Al-Shariah Guidance Islamic Capital Market Malaysia* (Maqasid Guidance) in 2023 enhances the ICM's relevance in addressing emerging economic, social, and environmental challenges. The introduction of an industry taskforce was put in place to support adoption efforts with continued capacity building and thought leaderships programmes in both domestic and international forums. This positioning Malaysia at the forefront of advancing a value-based financial ecosystem that supports shared prosperity and real economic impact.

## FOSTERING MARKET VIBRANCY THROUGH INNOVATION AND PARTICIPATION

The SC continued to broaden access and drive competitiveness of the capital market. Key initiatives included deepening the wealth management base through the SFO framework, enhancing clarity for private market participants, improving liquidity and efficiency in the derivatives market as well as strengthening the digital asset and tokenisation ecosystem. Collectively, these measures aim to foster a more vibrant capital market that responds effectively to evolving investor needs and industry opportunities.

### Deepening Malaysia's Wealth Management Investor Base through the Single Family Office Incentive Scheme

The SFO Incentive Scheme aims to unlock a new pool of long-term capital for Malaysia's financial markets. By consolidating family-controlled wealth that often sits in passive or closely-held assets, the framework

encourages families to shift from passive wealth preservation to strategic, purpose-driven investment.

Family offices are lean and agile, enabling faster investment decisions and longer-term planning compared with institutional investors. Their participation introduces a patient, stable investor base suited to projects with extended horizons such as infrastructure, sustainable finance and innovation.

To ensure tangible local benefits, each SFO must invest at least 10% of its AUM or RM10 million, whichever is lower, in Malaysian assets during its first 10 years, and 10% or RM10 million, whichever is higher, thereafter. These investments must be new in the first year of assessment, ensuring capital flows into productive domestic assets.

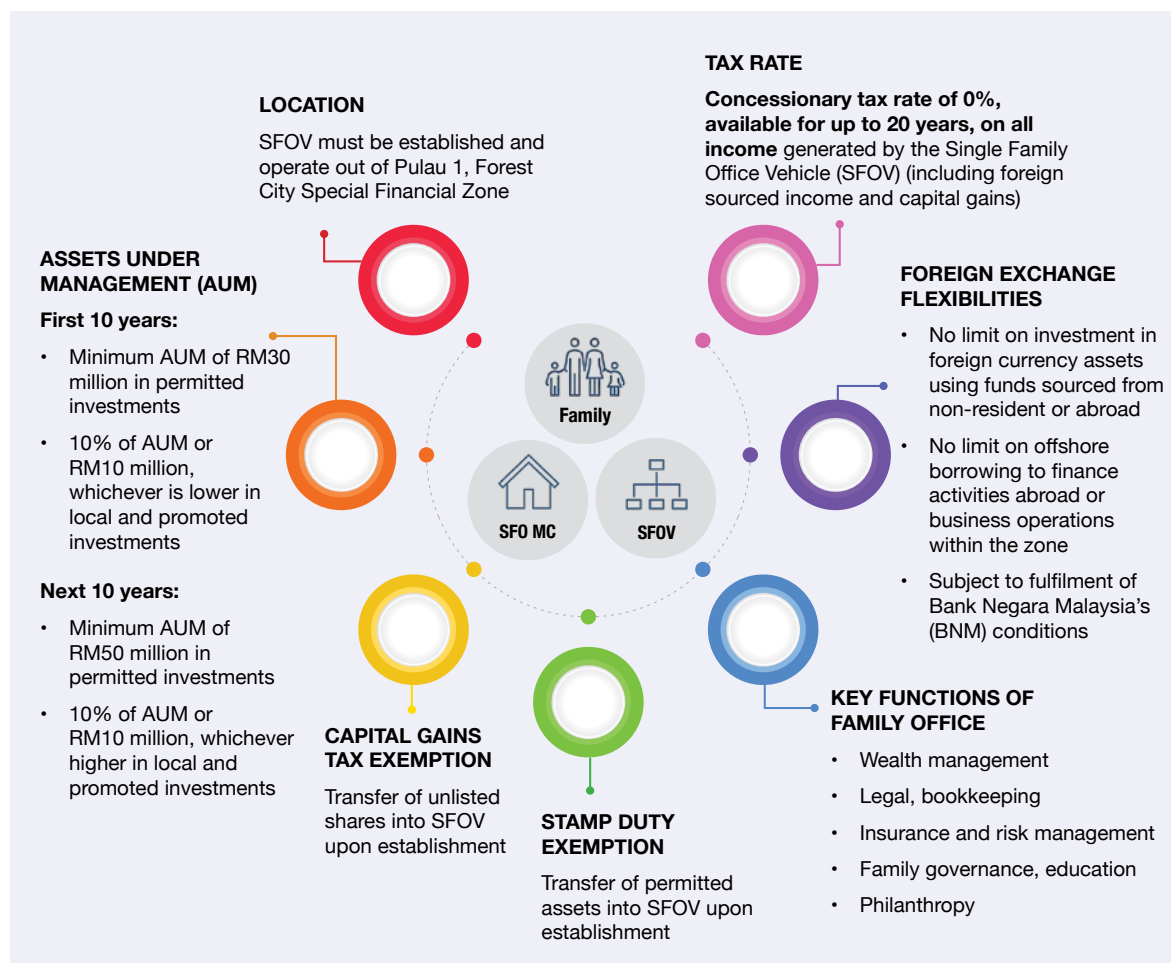
Investments in promoted sectors such as the *New Industrial Plan Master Plan 2030* (NIMP 2030), Johor–Singapore Special Economic Zone (JS-SEZ) and sustainability related investment that align with Malaysian or ASEAN standards, enjoy a 1.5x multiplier in AUM recognition, aligning family capital with national priorities and sustainable development goals.

## STRENGTHENING MALAYSIA’S FAMILY OFFICE ECOSYSTEM

The SFO Incentive Scheme, launched in September 2024, marks an important milestone in Malaysia’s efforts to deepen its wealth management industry and strengthen the ecosystem for family capital and asset owners. Anchored within the Forest City Special Financial Zone (FC SFZ) in Johor, the initiative provides a facilitative framework for families to formalise their wealth management and governance structures in Malaysia.

The SFO Incentive Scheme offers a 20-year tax incentive horizon (10+10 years) that grants exemption on all income including interest income, capital gains and foreign-sourced income. Through a two-step certification process, which includes initial conditional approval and annual tax certification, families and their advisers can operate with clarity, oversight and confidence.

### Key Requirements of the SFO Incentive Scheme



A key supporting measure is the Fast Track Resident Pass-Talent (FT RPT) visa, developed with the Ministry of Home Affairs, which provides 10+10-year residency for family principals and dependants. This visa enables families and their investment professionals to live, work and study in Malaysia, ensuring a long-term presence within the local ecosystem.

Since its launch, the SFO Incentive Scheme has received strong interest from both Malaysian and international families. To date, the SC has approved six conditional approvals, representing an indicative AUM of close to RM400 million. Over 40 Expressions of Interest (EOIs) have been received, reflecting growing confidence in Malaysia's transparent and cost-efficient framework.

This early success is supported by the SC's active engagement and promotional initiatives, including international roadshows to Taiwan and Oman, and continuous consultations with families, advisers and service providers. These efforts have enhanced awareness of Malaysia's family office proposition — one that blends robust governance, operational flexibility and competitive establishment costs, while fostering a culture of professional stewardship and intergenerational continuity.

### LIST OF LOCAL ELIGIBLE AND PROMOTED INVESTMENTS

#### Eligible Local Investments

1. Securities listed on Bursa Malaysia Sdn Bhd
2. Islamic capital market products including Shariah-compliant equities, Islamic Collective Investment Schemes (ICIS) and sukuk issued by an entity incorporated in Malaysia
3. Ringgit-denominated debentures and Malaysian Government Securities
4. Exchange traded derivatives listed on Bursa Malaysia Derivatives Bhd
5. Private equity (PE) and venture capital (VC) funds managed by SC-registered PE and VC managers
6. Assets under a portfolio management mandate, where at least 70% of the underlying assets is in Malaysia and the mandate is carried out by a holder of a Capital Markets Services Licence (CMSL) for fund management undertaking portfolio management
7. Shares of companies incorporated in Malaysia that are under technology-based sectors or relating to sustainable and responsible investments (SRI)

#### Promoted Investments

*These investments will count as 1.5x multiple towards the local AUM requirements*

1. Sustainability funds, bonds and sukuk that align with Malaysian or ASEAN standards for underlying Malaysian projects
2. Islamic capital market funds under the *Waqf Featured Fund Framework*
3. ECF campaigns on SC-registered ECF platforms
4. P2P financing campaigns on P2P financing platforms regulated by the SC
5. Shares of companies approved by Malaysian Investment Development Agency (MIDA) to carry out approved projects under the Johor–Singapore Special Economic Zone (JS-SEZ) Tax Incentive Package
6. Shares of companies operating within NIMP 2030 prioritised sectors

## BUILDING MOMENTUM THROUGH FACILITATION AND COLLABORATION

The *Income Tax (Single Family Office Incentive Scheme) (Pulau 1 Of Forest City Special Financial Zone) Rules 2025*, which was gazetted in October 2025, formalised Malaysia’s first long-term tax incentive framework for family offices, providing policy certainty and clarity for families and their advisers. Together with the SC’s one-stop facilitation platform, this milestone has streamlined processes and reduced complexity for families establishing operations in Malaysia.

A major highlight of 2025 was the inaugural Single Family Office Summit (SFO Summit) which received strong industry feedback, highlighting the appetite for continued dialogue and collaboration across the ecosystem. Moving forward, the SC will continue to host the SFO Summit as an annual flagship platform to promote knowledge exchange, highlight investment opportunities and strengthen Malaysia’s position as a trusted base for family office activity.

Complementing this, the SC will broaden its international outreach through upcoming promotional missions and partnerships to attract quality participation and deepen engagement with global families and advisers.

With these measures in place, the SC remains confident in achieving its target of RM2 billion in AUM by end-2026. This progress reflects not only strong market response but also the emergence of a vibrant, facilitative ecosystem that aligns family capital with Malaysia’s long-term growth and wealth-management ambitions.



“ *The Income Tax (Single Family Office Incentive Scheme) (Pulau 1 Of Forest City Special Financial Zone) Rules 2025, which was gazetted in October 2025, formalised Malaysia’s first long-term tax incentive framework for family offices, providing policy certainty and clarity for families and their advisers.* ”

## Revised Edition of Practical Guide on Venture Capital and Private Equity in Malaysia

The SC is cognisant of the importance of regulatory clarity for private markets industry players, and strives to continuously improve the clarity of guidance intended for the Malaysian private markets. In this, the SC published the revised edition of the *Practical Guide on Venture Capital and Private Equity in Malaysia* (VC/PE Practical Guide) online on 30 May 2025. This VC/PE Practical Guide is intended to aid prospective venture capital (VC) and private equity (PE) fund managers, service providers and investors in navigating the Malaysian policy landscape critical to VC/PE fund management operations, including capital market regulations, fund structuring, taxation and foreign exchange policy.



This revised edition is a result of collaboration between SC, BNM, Labuan FSA, Malaysian Venture Capital and Private Equity Association and service providers including law firms.

Among the key revisions made to the revised edition of the VC/PE Practical Guide include the recognition of Labuan structures in SC's VC/PE registration framework, and enhancements to BNM's foreign exchange policy (FEP) fund flow approval process for VC/PE managers based on total fund size mandate. The revisions made serve the dual purpose of providing regulatory clarity and fulfilling SC's role in facilitating conducive regulatory structures for VC/PE under the *Malaysia Venture Capital Roadmap*.

## Enhancing Market Liquidity and Efficiency in the Derivatives Market

In 2025, the SC facilitated key market enhancements through initiatives that refined trading parameters and operational practices to promote a more active and well-functioning derivatives market. These enhancements sought to facilitate greater market vibrancy in line with market participants' needs.

## Shortening of After-hours (T+1) Trading Session for Bursa Malaysia Derivatives' Agricultural Products

The SC facilitated Bursa Malaysia Derivatives' (BMD) initiative to shorten the after-hours (T+1) night trading session for agricultural products by 30 minutes, with the session now ending at 11.00pm instead of 11.30pm previously.

The alignment is expected to promote more concentrated trading activity, enhancing market liquidity and leading to higher trading volumes in agricultural derivatives contracts. The initiative received broad support from market participants, as reflected in engagement sessions conducted by the SC and BMD, underscoring industry consensus on the benefits of harmonising trading hours to strengthen Malaysia's position as a key global palm oil pricing centre.

The amended after-hours (T+1) trading session took effect on 12 January 2026.

## Revision of FTSE Bursa Malaysia Kuala Lumpur Composite Index Futures Contract's Position Limit

Introduced in 1995, the benchmark index futures, FKLI contract has demonstrated steady growth, accounting for 16% of the derivative exchange traded volume in 2024.

To accommodate the evolving needs of market participants, the position limit was increased to 15,000 contracts from its current threshold of 10,000 contracts. This strategic adjustment strengthens market participants' hedging capabilities and is expected to improve the efficiency of real-time trading executions by enabling participants to respond better to market opportunities.

The revision to the FKLI's position limit took effect on 1 December 2025.

## Advancing the Digital Asset Frontier – Fostering a Competitive and Resilient Market

Malaysia's digital asset market continued to evolve in 2025, characterised by expanding opportunities and growing participation across the ecosystem. Globally,

regulatory developments and market adoption of digital assets gained momentum, alongside the increasing integration of blockchain technology within the financial sector.

In response to these parallel trends, the SC strengthened its strategic focus on digital assets through a two-pronged approach aimed at:

- 1  Ensuring responsible access to digital asset investments.
- 2  Facilitating meaningful tokenisation use cases within the capital market.

To advance these objectives, the SC issued two consultation papers, underscoring a market-driven and forward-looking approach to regulatory enhancement. These initiatives reflect the SC's openness to fostering innovation within a sound regulatory framework, ensuring that market development proceeds in a responsible and well-governed manner.

Complementing this, the SC's regulatory sandbox continued to serve as a controlled environment for testing innovative business models related to digital asset offerings and blockchain adoption.

### **Responsible Access towards Digital Asset Investment**

Interest in digital assets continued to grow as trading activity across DAXs increased by 23% in 2025, rising from RM13.93 billion in 2024 to RM17.14 billion in 2025. This is attributed to global developments, including increased institutional adoption through ETFs and greater regulatory clarity in major jurisdictions such as the US. This is complemented by onshore developments with a total of 23 digital assets listed on RMO-DAX and the increase in number of investors by approximately 29% from 2024.

In 2025, the SC observed broader participation by other capital market intermediaries. Licensed stockbrokers offered access to digital asset futures while fund managers continued to offer digital asset exposure through variety of strategies to cater to the varying risk appetites and needs of investors.

These developments underscore the growing investor interest in digital assets and reflect the SC's continued commitment to developing a more competitive and resilient digital asset ecosystem. In support of this objective, the SC released a *Consultation Paper on the Proposed Amendments to the Guidelines on Recognised Markets – Digital Asset Exchange* in June 2025, setting out the key principles that will guide the next phase of digital asset market development. The proposals aim to:

- Encourage a more competitive digital asset market and onshore a wider range of crypto-asset activities within Malaysia by facilitating our regulated markets to offer greater selection of offerings.
- Enhance investor protection through stronger safeguards for clients' assets, enhanced internal governance frameworks as well as regulatory oversight.
- Strengthen the resilience and integrity of the digital asset market by raising the bar on prudential and operational requirements for DAX operators, thereby promoting confidence and promoting deeper integration with Malaysia's broader financial ecosystem.

Through these proposals, the SC aims to enhance the competitiveness of Malaysia's regulated digital asset market, improve investor protection, and strengthen the resilience and integrity of DAX operators. Collectively, these measures reflect the SC's commitment to fostering a well-regulated and forward-looking digital asset ecosystem that balances innovation with robust governance.

### **Facilitating Meaningful Tokenisation Use Cases within the Capital Market**

The SC adopts the principle of regulatory neutrality in regulating the capital market, ensuring that similar products and services are subject to consistent regulatory treatment, regardless of the underlying technology. This approach reflects the SC's commitment to technology-agnostic regulation, designed to remain fair, relevant and adaptable in a rapidly evolving technology landscape.

Tokenisation presents new possibilities for capital market innovation, including the creation of programmable assets, fractional ownership of traditionally large ticket and illiquid instruments, and enhanced transparency and efficiency.

In view of the growing interest of existing capital market participants in exploring the use of blockchain technology and the issuance of tokens, through the *Capital Markets and Services (Prescription or Securities) (Digital Currency and Digital Token) (Amendment) Order 2025*, the SC has recognised and provided regulatory clarity that any tokenised securities shall be subject to the same underlying regulations applicable to conventional securities regardless of its technology.

Understanding the need for regulatory clarity to enable innovative adoption of blockchain technology while managing the regulatory expectations on risk management for investor protection, the SC published a *Consultation Paper on the Proposed Regulatory Framework for Offering and Dealing in Tokenised Capital Market Products* highlighting key risk areas for capital market participants to consider while exploring tokenisation of securities such as technology and cybersecurity risks, operational risks especially towards the record of ownership, legal risks towards the enforceability of rights and obligations and possible money laundering risks with the misuse of anonymity features.

Beyond regulatory clarity, the SC has been participating in various projects towards building a broader and deeper understanding within the industry and capital market participants through consultations and roundtable discussions.

### **Regulatory Sandbox: Enabling Responsible Innovation in Capital Market**

Launched during the SCxSC Fintech Summit 2024, the SC introduced the Regulatory Sandbox to promote responsible innovation in the capital market. This initiative provides a controlled environment for testing new products and services, enabling market players to experiment while ensuring regulatory oversight. It also fosters collaboration between the SC and industry participants, helping to shape more effective and responsive regulatory frameworks.

In February 2025, the SC published the *Guidelines on Regulatory Sandbox*, detailing eligibility criteria and

application requirements. Operated on a cohort basis, the Regulatory Sandbox requires potential applicants to undergo a pre-consultation session with the SC to discuss their proposed business models and testing plans.

The initiative has garnered strong industry interest:



These participants are exploring innovations across several domains:



The successful participants will be provided with a testing period of approximately 12 months to deploy and assess their proposed solutions in accordance with the defined testing parameters and requirements.

## **BUILDING A MORE INCLUSIVE CAPITAL MARKET**

In 2025, the SC intensified efforts to advance inclusivity across Malaysia's capital market, ensuring that opportunities for wealth creation and financing are accessible to a broader spectrum of participants. Initiatives focused on lowering entry barriers, empowering informed decision-making and strengthening participation among retail investors, MSMEs and underrepresented groups.

Key measures included introducing new access mechanisms in the securities and derivatives markets, enhancing advisory practices to incorporate sustainability preferences, expanding capital-raising avenues for MSMEs and MTCs, and scaling up ESG disclosure capabilities across local and regional SMEs.

Through these initiatives, the SC continues to build a more inclusive capital market that enables meaningful participation and supports Malaysia's long-term economic resilience.

### **Expanding Access and Participation Across the Securities and Derivatives Markets**

Efforts to promote market inclusivity across the securities and derivatives markets centred on expanding access and participation across different segments of investors. The SC worked closely with market intermediaries and exchanges to introduce initiatives that lower entry barriers and encourage broader retail engagement. This included the introduction of the Bursa Malaysia Shares2U Scheme and Mini FTSE Bursa Malaysia Kuala Lumpur Composite Index Futures (FKLM) Contract. Collectively, these measures aim to foster a more inclusive capital market by making investing more accessible, flexible and affordable.

#### ***Introduction of Bursa Malaysia Shares2U scheme***

The Shares2U scheme was introduced as a new initiative to encourage greater retail participation in the Malaysian capital market by promoting investment in domestic shares. The scheme enables participating organisations (PO) to offer free Bursa-listed shares to their clients as marketing rewards, which may include campaigns for account openings, reactivation of accounts, fund deposits, trade executions, referral or loyalty programmes.

POs are required to establish a designated Investment Trading (IVT) account to purchase the shares intended to be gifted to their clients, coupled with a transfer limit of 1,000 units of shares per client account. These measures help maintain transparency and ensure the scheme effectively supports its objective of fostering greater retail engagement in the domestic securities market.

Shares2U was launched on 22 May 2025 with the initial participation of seven POs.

#### ***Introduction of Mini FTSE Bursa Malaysia Kuala Lumpur Composite Index Futures (FKLM) Contract***

In line with efforts to enhance retail participation and accessibility in the derivatives market, the SC has granted approval in principle for the introduction of FKLM on BMD. The FKLM is a smaller-sized version of the existing FKLI contract, with its contract size reduced to one-fifth of the FKLI. This proportional reduction in contract value and margin requirements lowers the capital outlay needed for participation, making derivatives trading more attainable for a wider segment of investors.

By offering a more flexible and cost-effective avenue for retail investors to participate in derivatives trading, its introduction therefore supports the broader goal of fostering a vibrant and inclusive derivatives marketplace by further democratising market access.

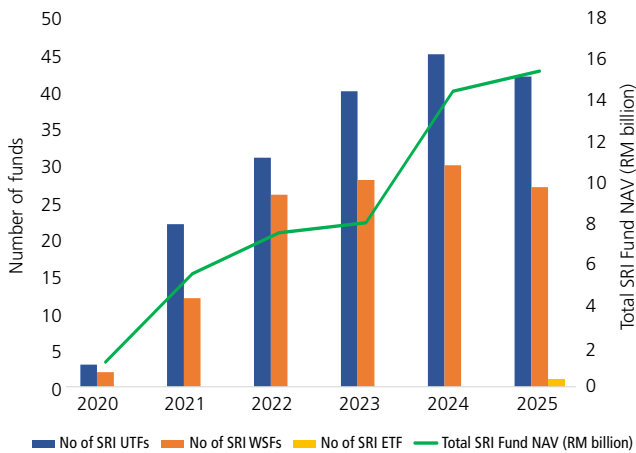
The contract is targeted to be introduced by 26 January 2026.

#### ***Incorporating Sustainable and Responsible Investment into Advisory Practices***

The SC recognises that one of the key pathways to meaningful and inclusive participation is ensuring that investors are not only able to access opportunities, but also to make informed and purposeful decisions. This is especially evident among younger investors, who increasingly want their investments to reflect not only their financial goals, but also their values. Insights from the Institute for Capital Market Research (ICMR) show that over 70% of millennials and Gen Z investors are more likely to invest in products that promote sustainability and good causes.

This growing investor interest is reflected in the strong performance of Malaysia's SRI fund segment, which has expanded nearly tenfold between 2020 and 2024 from RM1.46 billion to RM14.44 billion in net asset value (NAV). As at 31 December 2025, there were 70 funds qualified as SRI funds, comprising 42 unit trust funds, 27 wholesale funds and one ETF with a total NAV as at 31 December 2025 of RM15.38 billion (2024: RM14.44 billion).

**CHART 1**  
SRI Funds – NAV and no. of funds



Source: SC

Against this backdrop, unit trust and PRS consultants, as well as financial planners, play a transformative role in bridging investor intent and action. By helping clients navigate the growing range of sustainable and responsible investment options, consultants can ensure that portfolios reflect both financial aspirations and personal values. In doing so, they also strengthen their own value proposition, as the ability to serve clients with greater insight and relevance offers a distinct competitive edge.

Findings from a recent FIMM members survey highlighted that there is a need for a clear framework to incorporate sustainability preferences into client recommendations. Respondents also indicated that a structured reference guide would help them provide more consistent and informed advice to investors.

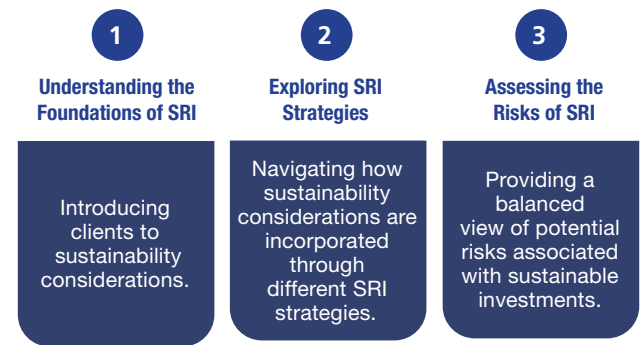
**70%** FIMM respondents surveyed indicated they do not have an existing guide to help incorporate sustainability preferences of investors

**95%** FIMM respondents surveyed indicated a guide would help Consultants provide better guidance to investors in making informed decisions in sustainable investing

To support consultants in providing values-aligned investment advice, the SC, in collaboration with FIMM, developed the *Guide for Assessing Investors’ Sustainability Preferences for Sustainable and Responsible Investment (SRI) Funds in 2025*. The Guide offers a clear and practical framework to help

consultants incorporate sustainability considerations into advisory conversations, from understanding what clients value, to documenting their preferences and identifying suitable SRI fund options.

The Guide also introduces a structured approach to embed sustainability preferences within advisory practices. It outlines key steps to help consultants explain fundamental SRI concepts to clients, assess their sustainability motivations, recommend suitable SRI products, and formally record these preferences as part of advisory documentation. This ensures a consistent, transparent, and client-centric process that enhances advisory quality and strengthens investor confidence in sustainable investment decisions.

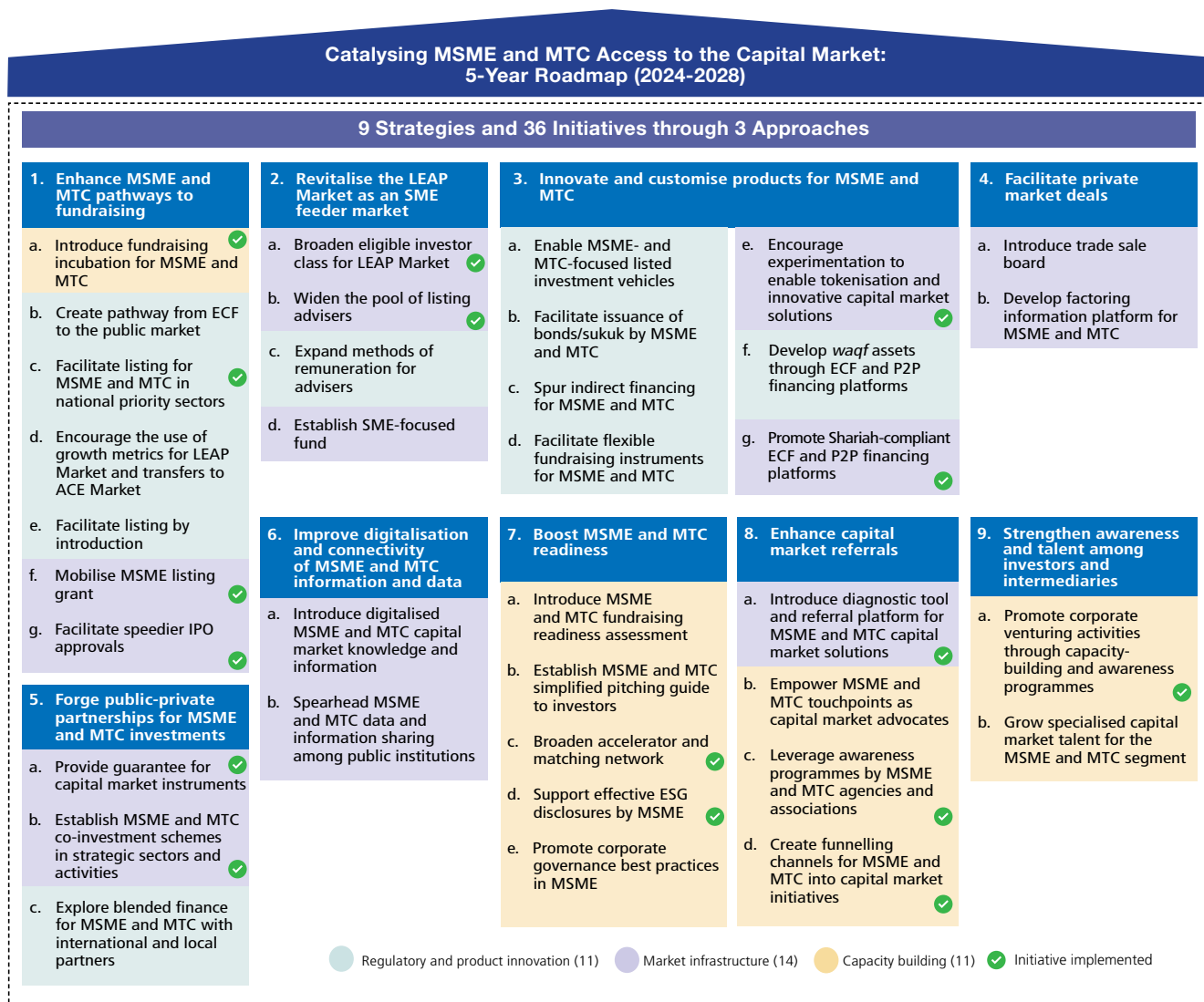


### Broadening Capital Market Access for MSMEs and MTCs

Following the launch of the *Catalysing MSME and MTC Access to the Capital Market: 5-Year Roadmap 2024-2028* (MSME and MTC Roadmap) in May 2024, the SC continued to strengthen efforts in 2025 to position the capital market as an attractive and viable source of financing for MSMEs and MTCs. The MSME and MTC Roadmap charts a five-year plan to mobilise RM40 billion in market-based financing for MSMEs and MTCs in 2028.

As of 31 December 2025, just under two years from the launch of the MSME and MTC Roadmap, 16 out of the 36 MSME and MTC Roadmap initiatives (44%) have been launched or implemented. Further, in 2025, RM10.4 billion has been fundraised, compared with RM7.2 billion in 2024.

Implementation of the MSME and MTC Roadmap’s initiatives are organised across three key approaches, regulatory and product innovation, market infrastructure, and capacity building.



Scan QR code to access the MSME and MTC Roadmap

These categories reflect a holistic approach to enhancing the MSMEs and MTCs ecosystem, strengthening regulatory foundations, improving market connectivity, and building the readiness of MSMEs and MTCs, their touchpoints, investors and intermediaries.

## Strengthening Market Infrastructure for MSMEs and MTCs

### Capacity Building

To enhance MSMEs and MTCs readiness for fundraising, the SC focused on awareness, education and leadership development. Key programmes include:

- **Elevate Programme**

Capital Markets Malaysia (CMM) launched the Elevate Programme as an executive leadership initiative to strengthen the fundraising readiness of MTCs and high-growth SMEs. The four-month programme is structured across three phases, comprising 10 full days of training.

The key objective of the programme is to ensure that companies on a steady growth trajectory can successfully scale their businesses by equipping them with the necessary set of competencies and expertise required for sustainable business growth.

Recognising that taking a successful company to the next level of growth will require significant funding, the Elevate Programme supports the growth of these companies by enhancing their capabilities and readiness to access the capital markets, specifically equipping them with the guidance and preparation required for an IPO or private equity investment.

Since its inception, six cohorts comprising a total of 120 MTCs and medium sized companies have successfully completed the Elevate Programme. In 2025, the SC partnered with Khazanah Nasional and TERAJU Bumiputera Corporation (TERAJU) to scale up the Elevate Programme, enabling more companies to benefit from the programme.

- ***Bumiputera participation through the Elevate – TERAJU Cohort***

In October 2025, the SC signed an MOU with TERAJU to strengthen the fundraising readiness and leadership capacity of bumiputera companies, in line with efforts to enhance inclusivity within Malaysia's capital market.

Under this two-year collaboration, CMM will lead the implementation of targeted capacity-building initiatives, including the creation of the Elevate-TERAJU Cohort. The programme aims to build a pipeline of investment-ready bumiputera enterprises, improve access to equity and alternative financing, and encourage adoption of sustainability practices through the SC's SEDG.

On 25 September 2025, 20 bumiputera companies from the manufacturing, healthcare, engineering and technology sectors were selected for the inaugural Elevate-TERAJU Cohort, marking a milestone under this collaboration to expand bumiputera participation in Malaysia's capital market.

### ***Simplified ESG Disclosure Guide for SMEs in Supply Chains***

The SEDG for SMEs in Supply Chains, developed by CMM, continues to play a key role in promoting practical ESG reporting among SMEs in Malaysia. The guide helps SMEs track and disclose their sustainability practices in alignment with global frameworks such as the Global Reporting Initiative (GRI), and International Finance Reporting Standards (IFRS S1 and S2) by the International Sustainability Standards Board (ISSB

Standards), while also referencing Malaysian standards including Bursa Malaysia's Sustainability Reporting Guide, the FTSE4Good Index and the Malaysian Code on Corporate Governance (MCCG).

To further strengthen Malaysia's ESG disclosure ecosystem, CMM released Version 2 of the SEDG in July 2025. The revised SEDG expanded the total number of disclosures from 35 to 38, across 15 ESG topics, featuring clearer definitions, improved usability and alignment with global standards, while maintaining consistency with ASEAN sustainability frameworks.

Complementing the revised SEDG, CMM launched the SEDG GHG Emissions Calculator, a free digital tool that enables SMEs to estimate and report their greenhouse gas emissions using operational data in line with the Greenhouse Gas Protocol. The calculator provides a practical means for SMEs to report their carbon footprint, supporting Malaysia's broader efforts to strengthen climate data and disclosure readiness.

Since its introduction, the SEDG has gained strong traction with over 50 adopters and an estimated 5,000 SMEs are now using the SEDG to structure their ESG disclosures and strengthen their sustainability reporting practices.

### ***investED: Building a Future-Ready and Inclusive Capital Market Workforce***

The investED initiative is a key platform for strengthening Malaysia's capital market talent pipeline through two complementary pathways: the investED Capital Market Graduate Programme (2023 to 2025) which supports new fresh graduates as part of its objective to build future talent pool and investED for Returning Women (2025) which enables experienced women to re-enter the workforce.

### ***investED Capital Market Graduate Programme 2023-2025***

The investED Capital Market Graduate Programme 2023-2025 was officially launched by the Prime Minister of Malaysia, YAB Dato' Seri Anwar Bin Ibrahim. The initiative is implemented by the SC in collaboration with the Ministry of Higher Education (MOHE), key capital market players, and academic institutions, with strong support from the Ministry of Finance (MOF).

This programme reflects a national commitment to developing future-ready talent by bridging the gap between academic institutions and industry needs. It aims to enhance graduate employability and ensure a steady pipeline of skilled professionals for the capital market sector. Outcomes from the three-year programme are as in Table 1.

**TABLE 1**  
**Programme Outcomes by Year**

Programme Component	Year 1 (2023)	Year 2 (2024)	Year 3 (2025)	Total (3 Years)
Career Talks	24	21	6	51
Total Participants	8,586	4,945	729	14,260
Career Fairs	7	6	7	20
Total Attendees	38,631	58,506	78,380	175,517
Foundation Programme (enrolled)	809	1,013	896	2,718
Leadership Programme (trainees)	171	199	211	581

**Empowering Women Returnees (2025)**

Under Budget 2025, the SC introduced investED for Returning Women targeting mid-career women resuming employment after career breaks. The programme provides a structured pathway through two stages: a Refresh Phase to rebuild workplace confidence and readiness followed by a Reskill Phase providing technical upskilling and sector exposure. With a target of 100 participants and an expected placement rate of 60% to 70%, the programme is supported by key partners including the 30% Club, LeadWomen, PwC Malaysia, SIDC and TalentCorp.

Together these pathways reflect the SC’s commitment to a skilled, diverse and inclusive capital market workforce by preparing new graduates and re-engaging experienced women talent to support long-term industry capability.

**CONTINUING AND EVOLVING SUCCESS IN CO-INVESTMENT FOR MSMEs AND MTCs**

The mobilisation of risk capital remains crucial for broadening access to financing for micro, small and medium enterprises (MSMEs) and mid-tier companies (MTCs), which form the backbone of Malaysia’s economic growth. Against this backdrop, the Malaysia Co-Investment Fund (MyCIF), established in 2019, has established itself as a successful public-private partnership model that channels capital into these segments by co-investing alongside private investors on Equity Crowdfunding (ECF) and Peer-to-Peer (P2P) financing platforms.

Since its inception under Budget 2019, MyCIF has co-invested over RM1.5 billion in more than 11,500 MSMEs, helping to crowd in more than RM6 billion in private investment through more than 80,000 co-invested campaigns. This blended finance approach not only amplifies government support but also strengthens investor confidence, enhances market-based financing channels and addresses financing gaps for enterprises that may not have access to traditional bank lending.

Building on this legacy of impact, 2025 saw the launch of the NIMP 2030 Strategic Co-Investment Fund (CoSIF) – a collaboration between the Ministry of Investment, Trade and Industry (MITI) and the SC. Designed as a government co-investment fund with an initial allocation of RM131.5 million, CoSIF adopts a similar public-private co-investment mechanism to support strategic and high-impact industrial projects and enterprises, particularly in manufacturing and priority sectors identified under the NIMP 2030 framework.



By co-investing alongside private investors at predetermined ratios through ECF and P2P financing platforms, CoSIF enhances the attractiveness of capital market financing for MSMEs and MTCs, which often face higher perceived risk due to limited financial track records or unfamiliar business models. In its first year of implementation, CoSIF disbursed RM30 million across 59 campaigns in 2025, supported by targeted roadshows in Penang, Johor and the Klang Valley to generate deal flow, engage industry clusters and raise awareness of capital-market-based financing alternatives.

The strategic alignment of CoSIF with the SC's *Catalysing MSME and MTC Access to the Capital Market: 5-Year Roadmap 2024-2028* reflects a whole-of-nation approach that leverages structured co-investment to deepen access to market-based financing and promote broader participation in the capital market. Through sector-specific co-investment ratios, CoSIF supports a wide range of sectors, including NIMP 2030 priority sectors such as aerospace, chemicals, electrical and electronics, pharmaceuticals and medical devices, as well as new growth sectors such as advanced materials, electric vehicles, renewable energy, and carbon capture, utilisation and storage (CCUS).

MyCIF's continued track record and the introduction of CoSIF underscore how co-investment mechanisms can advance a more inclusive capital market by widening access to market-based financing. By crowding in private capital and lowering barriers for MSMEs and MTCs, particularly those that may face constraints in accessing traditional financing, these initiatives help democratise fundraising opportunities and broaden participation in the growth economy. The co-investment model also enables smaller investors to participate alongside government support through regulated ECF and P2P financing platforms, strengthening confidence and widening reach. As both funds scale and evolve, they will continue to support a more inclusive and accessible capital market ecosystem that enables a broader range of enterprises and communities to benefit from sustainable economic development.

<p>Funds disbursed from MOF to MyCIF <b>RM290 million</b></p> <p>Total MyCIF co-investments since inception <b>&gt; RM1.5 billion</b></p> <p><b>RM22 million</b> Food Security Scheme    <b>RM10 million</b> ESI Scheme</p> <p>Total private investments <b>RM6.2 billion</b></p>	<p><b>Funds deployment since inception</b></p> <p><b>96%</b> RM277 million currently deployed from RM290 million disbursed from MOF since inception up to 2025</p>
<p><b>Shoring up investor confidence</b></p> <p><b>Over 11,500</b> MSMEs have received investments from government since inception</p>	<p><b>Amplifies public money</b></p> <p><b>10.4x</b> Reinvested for every RM1 deployed by MyCIF on P2P financing platforms</p> <p><b>5.2x</b> Co-investments made for every RM1 disbursed from MOF</p>

## SUPPORTING THE NATIONAL SUSTAINABILITY AGENDA VIA THE CAPITAL MARKET

Sustainability remained a central pillar in strengthening the long-term resilience and competitiveness of Malaysia's capital market. The SC continued to advance initiatives that embed sustainable practices across the ecosystem, enhance transparency, and mobilise capital towards projects with measurable social and environmental outcomes. Key developments included the establishment of Malaysia's Social Exchange framework to channel philanthropic and private capital for social good, and the advancement of the COFAR initiative to drive financing for climate adaptation.

In parallel, the Advisory Committee on Sustainability Reporting (ACSR) made headway in implementing the NSRF, conducted a public consultation on the proposed *Sustainability Assurance Framework*, and supported the formation of a professional body for sustainability practitioners. Through these initiatives, the SC reinforced its commitment to enhancing the capital market ecosystem to support the national sustainability initiatives.

### Paving the way for the Establishment of Malaysia's First Social Exchange

According to the 2024 World Giving Index, Malaysia ranked 20<sup>th</sup> out of 142 countries with a score of 50, indicating a strong culture of generosity. This provides a good foundation for Malaysia to further unlock philanthropic giving in a more systematic manner. Towards this end, in 2024, the Prime Minister of Malaysia announced at the Global Islamic Economic and Finance Forum that the SC will facilitate the establishment of a Social Exchange as part of efforts to mobilise private and philanthropic capital to support social impact projects.

The Social Exchange will serve as a dedicated market based fundraising platform for projects with positive social outcomes through the mobilisation of private and philanthropic capital which will benefit entities such as non-profit organisations (NPOs), social enterprises and State Islamic Religious Councils.

In developing the Social Exchange, the SC launched a Social Exchange Pilot Programme (SEPP25) in January 2025, with participation from five NPOs showcasing social impact projects. The pilot phase provided an avenue to obtain a deeper understanding of critical components towards establishing the Social Exchange. During SEPP25, that ran for a period of six months, the five NPOs engaged closely with the SC to share data and provide input on key building blocks for the Social Exchange. SEPP25 also allowed SC to gather feedback for the development of the SC's regulatory framework for the Social Exchange.

Following the SEPP25, and various stakeholder engagements, the SC released its *Guidelines on Social Exchange Platforms* (SEP Guidelines) on 19 September 2025 which paves the way for the establishment of Malaysia's first Social Exchange to facilitate fundraising for social impact projects. The SEP Guidelines set out requirements for SEP operators and NPOs, covering eligibility, disclosure, and mandatory reporting, to assure donors on fund utilisation and project outcomes.

The development of the Social Exchange will be undertaken in phases, with the current phase involving the introduction of an SEP to facilitate eligible NPOs to raise cash donations for social impact projects listed on the SEP. While participation is voluntary, the ability to list projects on the SEP offers NPOs a credible fundraising avenue within a regulated framework. In the next phase, the Social Exchange will be expanded to include other types of instruments and participants, such as social enterprises and other NPOs.

In December 2025, the SC registered an SEP operator under section 76A of the CMSA. The registered SEP operator is responsible for establishing and operating Malaysia's first SEP, as well as onboarding eligible NPOs in accordance with the requirements set out in the SEP Guidelines.

In an effort to encourage NPO participation, one of the measures introduced as part of Budget 2026 was the establishment of a RM2 million government grant to assist NPOs to offset part of the fees charged by SEP operator when projects are listed by NPOs on the SEP. This reflects the government's commitment under the 13<sup>th</sup> Malaysia Plan (13MP) to foster a more resilient and impactful third sector in Malaysia.

The Social Exchange initiative marks an important step towards building a transparent, accountable, and inclusive fundraising ecosystem that supports meaningful social impact projects in Malaysia.

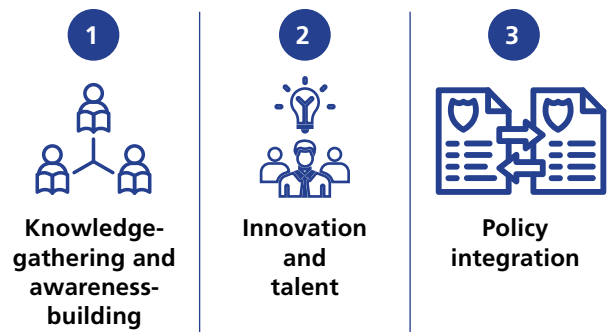
### Driving Market-based Financing for Climate Adaptation and Resilience

Malaysia continues to face increasing climate risks, including water risks<sup>1</sup> and heat risks<sup>2</sup>, which require substantial financing to address. Examples of adaptation projects include the building of seawalls or dikes in areas likely to be flooded and improving water management in areas prone to drought.

Given that climate change adaptation projects tend to be unbankable or marginally bankable, the SC intensified efforts to mobilise market-based financing, including through the private sector. These efforts are aligned with the SC's CMP and supportive of the upcoming National Adaptation Plan (MyNAP).

In 2025, the SC launched its COFAR initiative. The COFAR initiative explores the capital market's role in

financing climate adaptation and resilience activities through three strategic pillars:



### Coastal Flooding Adaptation and Resilience (COFAR) Challenge and Climate Adaptation and Resilience (A&R) Conference

On 14 October 2025, the SC hosted the Climate Adaptation and Resilience (A&R) Conference, its first major platform dedicated to advancing Malaysia's climate adaptation agenda. Held at the SC, the Conference saw over 400 participants from ministries and governmental agencies, financial institutions, climate experts and academia.

## ENGAGEMENTS AND SITE VISITS WITH KEY STAKEHOLDERS AND PARTNERS

As part of the COFAR initiative, the SC undertook a series of engagements and site visits to deepen the understanding of local climate adaptation challenges, with a view to identifying potential capital market-based solutions.

The SC team visited three key locations in Malaysia, Singapore and Indonesia to observe adaptation measures such as bunds, tidal gates, and sea dikes that protect vulnerable coastal communities. These visits provided valuable insights into the financing needs and partnership opportunities for large-scale resilience infrastructure.

To strengthen collaboration within the resilience ecosystem, the SC also engaged with a wide range of stakeholders, including government ministries and agencies, foreign missions, engineering experts, listed companies, and climate researchers. Insights from these engagements will help shape practical frameworks to advance and scale adaptation finance in Malaysia.

<sup>1</sup> The National Water Research Institute of Malaysia projects sea-level rise of 0.11m to 0.62m by 2050.

<sup>2</sup> Malaysia's Fourth National Communication Report (NC4) states that there has been a surface mean temperature increase of 0.13°C to 0.24°C per decade in the past 50 years.



The event was graced by YB Datuk Seri Johari Abdul Ghani, Minister of Plantation and Commodities, and Acting Minister of Natural Resources and Environmental Sustainability of Malaysia, who delivered a keynote address on 'Why Adaptation Can No Longer Wait'. The Conference was also attended by YAB Dato' Seri Amirudin Shari, Chief Minister of Selangor and YAM Tengku Zatashah Sultan Sharafuddin Idris Shah, Princess of Selangor, whose presence underscored the shared commitment across Royal, Federal and State levels in building national resilience.

Discussions centred on mobilising private capital for adaptation and resilience projects, and the policy enablers needed to finance scalable solutions. International and domestic experts also shared existing solutions that could be scaled within the nation to strengthen local resilience towards the changing climate. The SC also held an exhibition in conjunction with the Conference, with the theme 'The Rising Waters'. Designed to be interactive and engaging, the exhibition invited visitors to experience the escalating impacts of floods and to reflect on the urgency of financing solutions to address them.



Collectively, these efforts mark the SC's targeted steps in positioning the capital market as a catalyst for climate adaptation and resilience. By transforming research, innovation and partnerships into investable opportunities, the SC aims to unlock and mobilise the capital needed to support Malaysia in achieving its sustainability goals.

## COASTAL FLOODING ADAPTATION AND RESILIENCE CHALLENGE



The SC, together with ICAEW Malaysia, SD Guthrie and SEADPRI-UKM, launched the COFAR Challenge to mobilise the next generation of leaders in tackling coastal flooding and sea-level rise. Some 220 students from 29 universities across Malaysia and abroad participated in the Challenge to develop practical, multidisciplinary solutions for Carey Island, a coastal community facing rising tides, saltwater intrusion and storm surges.

Their mission was to:



Protect communities and economic activities from saltwater intrusion, storm surge and sea-level rise.



Integrate both hard (e.g. seawalls, reservoirs) and soft (e.g. green infrastructure) engineering solutions.



Identify financing pathways for marginally bankable projects such as through green bonds, resilience bonds and public-private partnerships (PPP).

The winners of the COFAR Challenge received RM50,000 in total prizes, which was announced and awarded at the ACMF International Conference 2025. The COFAR Challenge reflects the SC's drive to foster technical, financial and collaborative innovation in building Malaysia's climate resilience.

### Driving Adoption of the National Sustainability Reporting Framework

Following the launch of the NSRF in September 2024, the ACSR, chaired by the SC focused on facilitating timely and successful delivery of relevant Sustainability Reports by scoped-in entities in accordance with the established timeline. In contrast to many jurisdictions that focus solely on climate related reporting under IFRS S2, the NSRF phases in the adoption of IFRS S1 and IFRS S2, supported by a 'limited transition' approach that includes climate-first reporting and deferred Scope 3

emissions disclosures, enabling companies with varying levels of readiness to transition smoothly.

The majority of the efforts in 2025 have thus focused on implementation support to strengthen the overall state of readiness of companies.

To support the ACSR's initiatives, three separate working groups were formed:

- **PACE (Policy, Assumptions, Calculators, Education) Working Group** – responsible

for developing initiatives towards the NSRF implementation;

- **Implementation Working Group** – responsible for providing technical views and feedback on the use of the ISSB Standards; and
- **Sustainability Assurance Working Group (SAWG)** – responsible for developing the sustainability assurance framework.

The year commenced with the issuance of *Navigating the Transition: A Guide for Boards* (Guide), designed to provide directors with practical guidance to strengthen governance and oversight in sustainability reporting. Introduced in January 2025, the Guide supports boards in steering their organisations towards NSRF implementation. It offers practical direction on key areas such as governance, defining sustainability data boundaries, assessing the financial implications of climate and sustainability-related risks and opportunities, and integrating these considerations into enterprise risk management and reporting processes.

In June 2025, Malaysia's leadership in advancing high quality sustainability disclosures was further affirmed when the IFRS Foundation recognised Malaysia as the only ASEAN jurisdiction to adopt the ISSB Standards with limited transition provisions. This acknowledgement, published within the IFRS Foundation's inaugural cohort of 17 Jurisdictional Profiles, reflects the nation's unwavering commitment to strengthening transparency and corporate accountability in line with globally benchmarked reporting standards. Malaysia's steady advancement in sustainability disclosures has garnered attention from international regulatory and standard-setting counterparts, acknowledging our ability to share lessons learnt from early adoption, thus reflecting strong confidence in our approach. This recognition also underscores Malaysia's sustained efforts to elevate the integrity, comparability, and accountability of sustainability disclosures across the corporate sector.

In December 2025, the ACSR outlined its approach to non-compliance with sustainability reporting requirements. In essence, emphasis at the start will be placed on ensuring reporting entities make reasonable and meaningful progress and to allow for corrective action to be taken in the case of non-compliance generally. However, in situations of willful or serious non-compliance, relevant enforcement action may still be taken.

### **Initiatives under the PACE Working Group**

Throughout the year, the ACSR also continued to develop several capacity building initiatives under PACE. In March 2025, the ACSR took a step forward in bridging global sustainability frameworks with the development of the GRI-ISSB Interoperability Module. What began as a technical alignment exercise, evolved into hands-on training programmes designed to help accountants and companies navigate the interplay between the GRI and the ISSB Standards. Through this initiative, participants gained a clearer understanding of how both frameworks can work together to strengthen the quality, consistency and comparability of sustainability disclosures.

The ACSR advanced its commitment to providing practical guidance with the release of the *Illustrative Sustainability Reports* (ISRs) in October 2025. The ISRs were developed to demonstrate to companies what comprehensive sustainability disclosures could look like in practice, translating technical standards into tangible examples. Recognising the urgent need for clearer guidance in Malaysia's high-emitting sectors, the ACSR focused its first two ISRs on the plantation and construction sectors. The ISRs help companies not only understand reporting requirements but also build confidence in producing transparent, decision-useful sustainability disclosures aligned with global best practices.

To support the effective use of the ISRs, the ACSR conducted three training sessions to familiarise preparers with the structure and application of the reports. These practical and hands-on sessions helped over 250 participants interpret the ISSB Standards and apply illustrative examples in preparing their own sustainability reports.

The ACSR continues to engage actively with stakeholders to understand the on-the-ground challenges faced in sustainability reporting and to address these gaps through targeted initiatives. In this regard, the Data to Disclosures Forum, held on 17 October 2025, was organised to bridge critical data gaps, featuring insights from key data custodians such as the National Water Research Institute of Malaysia (NAHRIM), the National Water Services Commission (SPAN) and Tenaga Nasional Bhd (TNB). The Forum recorded participation of close to 420 participants.



Complementing this, the ACSR also held dedicated engagement sessions with the plantation, construction, banking, and insurance sectors to gain a deeper understanding of sector-specific challenges in adopting the ISSB Standards. Feedback from these sessions continue to inform and refine future PACE initiatives, ensuring that the ACSR's efforts remain responsive, inclusive, and aligned with the needs of the market.

### **Public Consultation on the Sustainability Assurance Framework**

As part of ongoing efforts to enhance the reliability and credibility of sustainability disclosures, the ACSR issued a public consultation paper during the year to seek feedback on the proposed *Sustainability Assurance Framework*. The consultation, which garnered 91 responses, provided valuable insights on key areas such as the adoption of international assurance, quality management and ethics standards, oversight of sustainability assurance providers, and the appropriate scope and level of assurance. In developing the framework, the ACSR continues to seek the right balance between robustness and practicality, ensuring that the assurance approach strengthens confidence in sustainability disclosures while remaining proportionate to the evolving maturity of the market. The aim is to mandate reasonable assurance on Scope 1 and Scope 2 GHG emissions to provide investors with the same level of trust and confidence akin to audited financial statements. Malaysia is one of the few countries globally which will be mandating reasonable assurance on Scope 1 and Scope 2 GHG emissions. It implies SC's commitments towards mandating corporate accountability in companies' sustainability practice. The finalised framework will be published following a comprehensive analysis of the consultation feedback.

### **Strengthening the Sustainability Profession through Establishment of Dedicated Association**

Recognising the increasing importance of sustainability professionals in achieving sustainability commitments and targets of the capital market, the SC is facilitating the establishment of a dedicated association to support the development and institutionalisation of the sustainability profession.

In April 2025, the SC convened a closed-door Sustainability Officers' Dialogue (Dialogue), bringing together over 50 sustainability practitioners from public listed companies, institutional investors, consultants, and international organisations, among others. The Dialogue discussed required competencies and capabilities of existing and aspiring sustainability practitioners, particularly in the context of implementing the NSRF, and the merits of having a dedicated, structured and formal group for sustainability practitioners.

In July 2025, a Protem Committee was formed, supported by the SC as Secretariat, to lead the establishment of an association for sustainability practitioners (Association). The Association aims to enhance the credibility and professional standing of sustainability professionals, support the development and competency needs of the professionals, including supporting companies and professionals in complying with emerging frameworks such as the NSRF. The Association will also serve as a collective voice and sounding board for policy advocacy and engagements with regulators and authorities on sustainability matters.

### **Championing Financial Sector Response to Climate Change: Joint Committee on Climate Change**

As Co-Chairs of the Joint Committee on Climate Change (JC3), the SC and BNM are committed to enhancing the financial sector's response of climate change. The SC continues to play a role in the Climate Finance Innovation Lab (CFIL), a collaborative platform to identify, develop and accelerate innovative climate solutions and mechanisms that mobilise private and public finance to support Malaysia's transition to net zero by 2050. Since its launch on 18 June 2025, CFIL has garnered strong interest, receiving more than

20 climate-related projects in its inaugural cohort with estimated funding needs of approximately RM3 billion. These projects address critical areas that significantly contribute to or are materially affected by climate change such as energy transition and green innovation; circular economy and sustainable cities; sustainable agriculture; and nature-based solutions and biodiversity.

To advance these priorities, CFIL rolled-out several inaugural programmes during the year, including the Impact Launchpad on 6 August, the Accelerator Programme on 21 October; and its very first Lab Session on 5 November. The SC will continue to provide direction and guidance to CFIL as part of efforts to foster public-private collaboration for climate and nature-related finance, and drive ecosystem development.

### **Strengthening Corporate Governance Ecosystem through Regulatory, Self and Market Discipline**

In 2025, the SC continued to advance efforts to strengthen Malaysia's corporate governance ecosystem through the interplay between regulatory discipline, self-discipline and market discipline. While regulatory discipline, through rules and enforcement, plays an important role in shaping behaviour, the effectiveness of corporate governance depends on sustained behavioural and cultural shifts driven by the self-discipline exercised by boards and management, including the choices they make, the tone they set and the accountability they demonstrate. Market discipline exercised by investors and stakeholders is likewise critical in driving meaningful and sustained improvements in corporate conduct and accountability.

#### **Discussion Paper on Corporate Governance Framework**

In 2025, the SC issued a Discussion Paper to obtain feedback on potential enhancements to Malaysia's corporate governance framework, with the objective of strengthening governance outcomes and elevating standards of conduct in Corporate Malaysia. The Paper outlines the SC's perspectives on key focus areas and serves as a platform to gauge market sentiment and gather insights, to inform the next calibration of corporate governance reforms.

Among others, the proposals seek to place stronger emphasis on long-term value creation, decision-useful disclosures and strengthen board accountability, aligning with evolving investor expectations. Reflecting on lessons from the MCCG 2021, the Discussion Paper highlights emerging and thematic shifts reshaping the governance landscape, including digital transformation, the governance of technology and AI, cybersecurity and data governance as well as continued enhancements to audit and risk management processes, including auditors' independence and enhanced disclosures.

Revised MCCG is targeted for issuance in 2026.

#### **Collaboration with the Organisation for Economic Co-operation and Development**

As part of the MCCG review, the SC is collaborating with the Organisation for Economic Co-operation and Development (OECD) to benchmark Malaysia's Corporate Governance framework against the G20/OECD Principles of Corporate Governance (revised in 2023). The exercise will provide an independent assessment as well as recommendations to further strengthen the effectiveness of Malaysia's Corporate Governance ecosystem. This in turn enhances investor confidence, supports corporate valuations, corporate valuations, and reinforces Malaysia's position as a trusted investment destination.

#### **Corporate Governance Monitor 2025**

The *Corporate Governance Monitor 2025* (CG Monitor 2025), released on 14 November 2025, continues to track market adoption of the MCCG 2021 by PLCs based on disclosures in their Corporate Governance reports. The CG Monitor 2025 analyses adoption trends based on Corporate Governance Reports issued by PLCs for the financial year 2024.

Adoption momentum by PLCs remains positive, with many core practices now firmly embedded as market norms. A smaller set of practices continues to evolve at a slower pace, typically where behavioural shifts, enhanced transparency or stronger oversight structures are required.

## KEY HIGHLIGHTS

**STRONG OVERALL ADOPTION**

Out of 48 MCG best practices, 33 achieved adoption levels of 90% and above, reflecting continued progress in embedding good governance practices across PLCs.

**WOMEN ON BOARDS (WOB)**

Female participation continues to rise, with women holding 2,112 board positions (29%) across PLCs. 472 PLCs (45%) have met the 30% WOB target, though 30 of the Top 100 PLCs have yet to do so.

**COMMITTEE INDEPENDENCE**

Independent committee leadership improved, with 73% of boards ensuring the Chair is not a member of the Audit, Nomination or Remuneration Committees (up from 63%). Remaining gaps are mainly due to transition timing and reliance on the Chair's expertise, which should be addressed through succession planning and clearer committee mandates.

**SUSTAINABILITY GOVERNANCE**

Oversight structures have strengthened, though challenges persist in integrating sustainability into board and management evaluations, largely due to KPI design and data limitations. In line with the NSRF, companies are increasingly expected to disclose oversight structures and progress against sustainability targets.

**REMUNERATION DISCLOSURE**

Transparency on senior management remuneration remains low. PLCs are encouraged to adopt banded disclosures, articulate a clear pay philosophy linked to performance, and progressively move toward named disclosure as governance practices mature.

**RISK OVERSIGHT**

A dedicated Risk Management Committee remains uncommon, with many PLCs maintaining a combined Audit and Risk Committee, which may dilute focus on emerging risks such as sustainability, cyber resilience, and business continuity. Boards are urged to reassess their structures and demonstrate how non-financial risks receive sufficient specialist attention.

**ENHANCED EXPECTATIONS**

The Step-Up practices are reaffirmed as directional best practices for all PLCs. Where immediate adoption is not feasible, companies should disclose credible transition plans outlining scope, timelines and interim safeguards, enabling investors to track progress and understand risk management measures.



## DEEPENING REGIONAL COOPERATION THROUGH MALAYSIA'S ASEAN CHAIRMANSHIP

### Malaysia at the Helm: ASEAN Chair 2025

Centred around the theme of 'Inclusivity and Sustainability' across the Economic, Political-Security, Socio-Cultural pillars, Malaysia assumed Chairmanship of ASEAN in 2025, its fifth stint since ASEAN's establishment in 1967. Under the stewardship of Prime Minister Datuk Seri Anwar Ibrahim, ASEAN 2025 witnessed the introduction of new key initiatives including the ASEAN Community Vision 2045, which outlines a shared future for the next two decades as well as the formal accession of Timor-Leste as the eleventh member of ASEAN.

The SC championed Malaysia's ASEAN leadership through its Chairmanship of the ASEAN Capital Markets Forum (ACMF) as well as support for the MOF's leadership of the ASEAN Finance Track.

### SC as Chair of the ASEAN Capital Market Forum

As Chair of the ACMF, SC had the opportunity to shape ACMF's focus and priorities in alignment with national development goals through the discourse and thought leadership at the ACMF meetings and events, as well as the development and delivery of Malaysia's Priority Economic Deliverables (PEDs) and other ACMF-related deliverables.

In 2025, the SC designed, curated and led discussions at four ACMF Deputies Meetings, three ACMF Chairs Meeting, two International Conference, and 14 technical workshops. Hosted across Malaysia and at the SC, these engagements provided not only vibrant platforms for learning and shared progress but also an appreciation for Malaysian culture and history.

### SC's Priority Economic Deliverables – Supporting the Ministry of Finance's Leadership of the ASEAN Finance Track

PEDs are key actionable initiatives that are set by each ASEAN Chair. Under the Finance Track, led by the MOF, the SC produced four deliverables through two PEDs,

nested within the Strategic Thrust of Fostering an Inclusive and Sustainable Future.

The two PEDs focused on Accelerating the Growth of a More Sustainable, Connected and Inclusive ASEAN Capital Market, and Catalysing Access to Financing for a Climate Resilient and Just Transition in ASEAN.

### *Accelerating the Growth of a More Sustainable, Connected and Inclusive ASEAN Capital Market*

#### Charting the next five years for ASEAN capital markets

Aligned with the ASEAN Community Vision 2045 and the ASEAN Economic Community (AEC) Post-2025 Vision and in its role as ACMF Chair, SC led the development of the *ACMF Action Plan 2026–2030* (Action Plan) which highlights the critical role of capital markets in supporting the region's long-term economic resilience, competitiveness, and sustainability agenda. The Action Plan was successfully launched on 6 November 2025, signifying an advancement in ASEAN's journey towards building a more integrated, sustainable, and innovation-driven regional capital market, and strengthening the region's positioning within the global capital market and financial landscape.

The Action Plan also complements the SC's CMP 2026-2030, particularly its focus on strengthening Malaysia's regional connectivity. Through this alignment, the Action Plan reinforces Malaysia's commitment to advancing regional capital market development and supporting the internationalisation of Malaysian companies, while deepening Malaysia's role as a gateway for cross-border investment and fund-raising within ASEAN.

The Action Plan establishes five Strategic Thrusts that guide ASEAN's collective priorities. These thrusts are anchored by the strengthening of ACMF's institutional capacity and governance, advancing sustainable and resilient ASEAN, promoting inclusivity and financial empowerment, deepening regional integration and global positioning, and accelerating digitalisation and innovation across ASEAN markets. Together, these thrusts advance the region's objectives of fostering sustainable growth, deepening market integration, broadening investor participation, and harnessing technology to enhance the competitiveness and resilience of ASEAN capital markets.

The Action Plan further identifies 11 key priorities and 18 external-facing initiatives designed to deepen market connectivity, enhance sustainability, and promote inclusive growth across ASEAN capital markets. Among these are cornerstone initiatives such as supporting climate adaptation through the *mitigation co-benefit, Adaptation for Resilience Guide* (mARs Guide), promoting SME sustainability disclosures through the ASEDG, promoting ASEAN as a distinct asset class through the ASEAN Diamonds and ASEAN Indices initiatives, strengthening financial literacy and capacity building, and encouraging responsible use of AI in the capital market.

### **Catalysing Access to Financing for a Climate Resilient and Just Transition in ASEAN**

Sustainability is a core priority, the following deliverables reflect the SC's commitment to shaping a climate-resilient, inclusive, and sustainable ASEAN capital market, aligned with Malaysia's leadership in regional financial integration and sustainable development.

Under this PED, development and publication of the *ASEAN Taxonomy for Sustainable Finance Version 4*, (ASEAN Taxonomy), through the ASEAN Taxonomy Board (ATB), was a deliverable as a tool to support ASEAN's decarbonisation efforts by completing the coverage of the ASEAN Taxonomy Plus Standard's six economic focus sectors and three enabling sectors. In addition, to support the transition of SMEs in ASEAN, the development and publication of the ASEDG for SMEs in supply chains was a deliverable through ACMF.

### **ASEAN Taxonomy for Sustainable Finance Version 4**

The ASEAN Taxonomy is an overarching guide for the identification and classification of sustainable finance activities within the region. Its development is led by the ATB, which is comprised of the four sectoral bodies regulating ASEAN's capital markets, banking, and insurance sectors. The regulators comprising ATB members, from all 10 ASEAN countries, are developers of their own national taxonomies. This feature helps the ASEAN Taxonomy ensure its interoperability and alignment with other taxonomies, taking into consideration widely used taxonomies and international frameworks, while catering to ASEAN's specific needs.

The ASEAN Taxonomy Version 2 (March 2023) introduced Technical Screening Criteria (TSC) for the first focus sector, energy, and carbon capture, utilisation and storage, followed by Version 3 (March 2024) which introduced TSC for two focus sectors: (i) transportation and storage and (ii) construction and real estate. The ASEAN Taxonomy Version 4, which was launched in 2025 as one of Malaysia's PEDs under its chairmanship of ASEAN, covers TSCs for the three remaining focus sectors: (i) agriculture, forestry and fishing; (ii) manufacturing; and (iii) water supply, sewerage and waste management, and two enabling sectors: (i) information and communication; and (ii) professional, scientific and technical activities.

This year, the SC led the development of the agriculture, forestry, and fishing sector criteria, taking an inclusive and practical approach that reflects both regional and domestic ambitions alongside current conditions in the sector. Throughout the drafting stage, the SC via the ATB engaged various key stakeholders across the ASEAN member states for feedback and validation of the TSC.

Concurrently, the SC also held its own domestic engagements with Malaysian industry players, subject matter experts, and key government agencies involved in the agriculture sector while studying Malaysia's existing agricultural practices and sustainability standards. This was done to ensure a holistic approach that promotes a credible pathway towards better practices contributing to Malaysia's national sustainability agenda, while recognising current progress and transition efforts undertaken by companies both large and small in the agriculture sector today.

To date, feedback on the ASEAN Taxonomy has been largely positive, describing the framework as comprehensive, balanced, intellectually coherent, and beneficial for ASEAN. In 2026, the ASEAN Taxonomy Version 4 will undergo a period of public consultation, during which the criteria will have opportunity for further refinement. At the same time, the SC hopes to accelerate the adoption and implementation of the ASEAN Taxonomy, as a useful and credible tool for the transformation of Malaysian businesses towards greater sustainability.

### Scaling Up ESG Disclosures of ASEAN SMEs

In April 2025, the SC, under its chairmanship of the ACMF, spearheaded the development of the ASEDG for SMEs in Supply Chains. This key initiative aims to strengthen the sustainability readiness of SMEs across all ASEAN Member States (AMS) by providing a practical and harmonised reference for ESG disclosures.

The ASEDG equips ASEAN SMEs operating within global or local supply chains with a framework to meet increasing data requests from investors, financiers and multinational customers. The guide aligns with leading global standards including the IFRS S1 and S2, GRI, CDP, and FTSE4Good, while referencing to related sustainability frameworks across ASEAN member states.

#### ***ASEDG Version 1 (V1): Building the foundation for regional alignment***

Launched in April 2025 at the ASEAN Investment Conference held in Kuala Lumpur, the inaugural ASEDG V1 was officiated by the Prime Minister of Malaysia. Building on Malaysia's SEDG for SMEs in Supply Chains, it incorporated 35 disclosures from the national framework and introduced three ASEAN-specific disclosures to reflect regional priorities. Each disclosure was mapped against national frameworks and guidance from all ten ASEAN member states, creating a unified reference for SMEs to begin or strengthen their ESG reporting journey.

#### ***ASEDG Version 2 (V2): Strengthening regional consistency and usability***

Following regional consultations, ASEDG V2 was launched in November 2025. The revised guide represents the refinement and enhancement of the regional framework, through 38 ESG disclosure indicators, under 15 topics across ESG pillars. Each topic is categorised into Basic, Intermediate, and Advanced levels, supporting SMEs at varying stages of sustainability maturity across the region.

### Additional Deliverables under SC's ACMF Chairmanship

In addition to the PEDs, the SC through ACMF also championed initiatives which were aligned with Malaysia's Chairmanship theme of inclusivity and sustainability.

#### **Encouraging climate adaptation finance within ASEAN**

ASEAN is considered as a region most vulnerable to growing climate risks. In response, the region is beginning to prioritise climate adaptation in order to strengthen the region's resilience to these threats. However, climate adaptation financing remains significantly underfunded<sup>3</sup>, compared to climate mitigation. This underscores the need for guidance in the region to identify climate adaptation activities that are investable. As ACMF Chair for 2025 and the Co-Chair of the ACMF SFWG, the SC is spearheading the development of the mARs Guide.

The mARs Guide is intended to complement the ASEAN Taxonomy, in relation to the Environmental Objective 2 (EO2) on Climate Change Adaptation. While the ASEAN Taxonomy already sets out a robust and detailed framework for EO2, the mARs Guide will provide more detailed guidance on how to operationalise the EO2 assessment requirements and be considered eligible under the ASEAN Taxonomy. In other words, it will provide capital owners and users guidance in identifying climate adaptation-related technologies and approaches that capital should be oriented towards, aligning with the ASEAN Taxonomy.

The mARs Guide is being developed in phases for three years commencing in 2025, where the ACMF is collaborating with the United Nations Environment Programme Financial Initiatives (UNEP FI) to develop the mARs Guide. Ultimately, the mARs Guide will seek to identify key characteristics of adaptation technologies and solutions under a given activity (e.g. description, role in adaptation, status of the technology, scalability, target beneficiaries, sphere of influence, environmental,

<sup>3</sup> Asian Development Bank (August 2023), *Climate Finance Landscape of Asia and the Pacific*.

social and economic benefits, and paradigm shift potential). In 2025, through ACMF, the SC together with UNEP FI and the Sustainable Finance Institute Asia (SFIA), with feedback from the ATB, developed a White Paper that seeks to inform the development of the mARs Guide over the next phases.

The White Paper confirms that adaptation finance is relatively low in ASEAN compared to other parts of Asia, which underscores the importance of the development of the mARs Guide within the ASEAN region. It maps out climate risks and adaptation financing needs across ASEAN and lays out the principles for development of the mARs Guide.

The mARs Guide itself is envisaged as a three-year project, spanning the ACMF chairmanships of the SC, the Securities and Exchange Commission of the Philippines in 2026 and the Monetary Authority of Singapore in 2027. Through an iterative process involving issuance of versions of the mARs Guide, stakeholder consultations and testing for implementation, the project is to be completed in 2027 and will further promote climate adaptation financing in the region.

### Fostering a High-Integrity and Interoperable Carbon Market Ecosystem

As ASEAN accelerates its transition to low-carbon economies, carbon markets have emerged as a key mechanism to price greenhouse gas (GHG) emissions and fund sustainability projects within the region. ASEAN's diverse ecosystem offers significant potential to unlock carbon credits.

While ASEAN member states have been progressing at differing pace in developing their carbon markets, the growing interplay between the voluntary and compliance markets further underscores the need to strengthen governance and credibility in the carbon market space. It also underscores the importance of interoperability, and regional cooperation so that ASEAN's carbon credits are trusted and competitive globally.

Recognising the emerging importance of VCM and building on IOSCO's Report on *Voluntary Carbon Markets*<sup>4</sup>, the ACMF, through its SFWG and in collaboration with the Economic Research Institute for ASEAN and East Asia (ERIA) developed the *ACMF Voluntary Carbon Market Development Plan* and *ASEAN Voluntary Carbon Market Guidance* (VCM Guidance). The VCM Guidance was published and launched on 6 November 2025 at the ACMF International Conference 2025.

Designed as a multi-year initiative, the VCM Guidance provides practical measures for ASEAN member states to effectively manage and scale VCM, in alignment with financial market development and economic integration efforts. It aims to enhance integrity, transparency and orderly trading within the ASEAN VCM ecosystem by setting out principles and criteria tailored to the regional context, while aligned with international standards to ensure regional interoperability. In developing a well-functioning VCM, particular emphasis was given to the role of securities regulators in ensuring financial integrity; a core element alongside environment integrity.

### Talent Development and Connectivity

To cultivate a pipeline of skilled talent and support the growth and stability of regional capital markets, the SC in collaboration with Durham University curated and launched the Young Regulators Development Programme (YRDP). The YRDP aims to enhance young regulators' competencies and aptitude by providing a strong foundation in capital market regulation and supervision, while keeping them updated on emerging trends and best practices.

The two-week intensive programme targets early-career capital market regulators with three-to-five years of work experience from ASEAN and IOSCO and will be held annually from 2025 to 2027. The 2025 iteration from 11 to 22 August included 17 participants from Malaysia, comprising officers from the SC, Bank Negara Malaysia and Bursa Malaysia, as well as 13 participants from other international regulators, the majority of which were from ASEAN.

<sup>4</sup> *Voluntary Carbon Final Report*, <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD774.pdf>.

In collaboration with CGS International Securities, SC co-organised the ASEAN Investment Challenge 2025 - a specially designed trading competition for university students, focusing on stock trading across five ASEAN countries to develop financial skills and enhance understanding of regional markets.

The competition ran for seven months, with the official launch taking place at the ASEAN Investment Conference 2025 in April. More than 6,000 university students from Malaysia, Indonesia, Singapore, Thailand and the Philippines participated in the challenge, with the final assessment and awarding taking place at the ACMF International Conference on 6 November 2025.

### Promoting Regional Corporate Champions – The MyABE Status

As announced in the Budget 2026, the SC, with the support of the government, introduced the MyABE Status to recognise Malaysian companies that exemplify regional leadership within ASEAN. The initiative seeks to establish a class of companies distinguished by their strong regional presence, adherence to high standards of governance and sustainability, and potential for further expansion across ASEAN.

The MyABE framework comprises two categories; for PLCs, the MyABE-PLC and for MTCs, the MyABE-MTC. The MyABE-PLC Status is intended to recognise Malaysian PLCs that have established a strong regional footprint, while the MyABE-MTC Status recognises the growth and regional expansion potential of Malaysian MTCs.

In conjunction with the ACMF International Conference held in November, the pilot MyABE Cohort 1 was announced by Prime Minister YAB Dato' Seri Anwar Ibrahim. The pilot cohort comprise the following companies:

#### MyABE-PLCs

- **CIMB Group Holdings Bhd** – a leading ASEAN bank serving millions of customers across the region.
- **IHH Healthcare Bhd** – one of the world's largest private healthcare groups.
- **Kuala Lumpur Kepong Bhd** – a century old Malaysian multinational with diversified global operations in plantations, manufacturing and resource-based industries.

#### MyABE-MTCs

- **Aonic Sdn Bhd** – a leading company in the drone technology ecosystem.
- **MECIP Global Engineers Sdn Bhd** – a multi-disciplinary oil and gas engineering consultancy firm.
- **NSW Automation Sdn Bhd** – which is one of the world's leading providers for precision dispensation system in the global microelectronics and semiconductor industries.

The MyABE Status accords participating companies with facilitative measures and incentives to support their regional expansion. The first incentive introduced focuses on skilled talent mobility, as well as funding support for the MyABE-MTCs, where qualifying MyABE-MTCs can tap on the NIMP CoSIF, under a priority investment ratio. This will help accelerate their growth, modernisation, and integration into regional supply chains.

## SPECIAL FOCUS: OMAN AS A STRATEGIC PARTNER IN BRIDGING ASEAN AND GCC CAPITAL MARKET

As part of its broader internationalisation agenda, the SC deepened engagement with the Gulf Cooperation Council (GCC) in 2025 by advancing a strategic partnership with Oman's Financial Services Authority (FSA) as a pilot initiative to strengthen ICM collaboration with the GCC.

Beyond strengthening bilateral regulatory ties, this engagement is intended to serve as a practical bridge between ASEAN and GCC capital markets. Malaysia's comprehensive Shariah-compliant ecosystem, strong capital market infrastructure, and trusted regulatory environment position it well to channel Omani capital into ASEAN's long-term growth opportunities, particularly in sectors such as renewable energy, infrastructure, halal economy, and sustainable agriculture.

Meanwhile, Oman's emphasis on ethical, high-impact investments align closely with Malaysia's capability to structure solutions that meet both commercial and Maqasid-aligned objectives.

### Laying the Groundwork

The engagements in Muscat, including the SC-IFN Business Forum and the Malaysia-Oman Investment Dialogue, advanced efforts to deepen Malaysia and ASEAN collaboration with GCC. The sessions strengthened regulatory cooperation, catalysed co-investment opportunities and explored product innovation to support greater bilateral and regional connectivity.

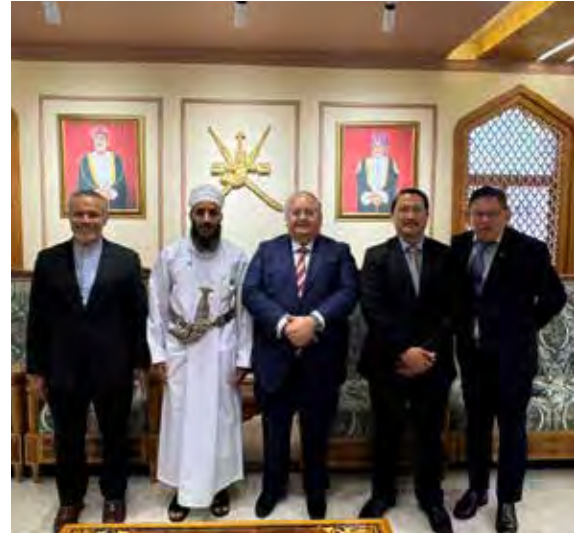
### Joint Programme for Capital Market Development Cooperation

In pursuit of deeper bilateral and regional collaboration, the Joint Programme for Capital Market Development Cooperation was signed by Dato' Mohammad Faiz Azmi, Chairman of the SC, and H.E. Abdullah Salim Al Salmi, Executive President of the FSA Oman. This two-year collaboration focuses on joint capacity building, knowledge exchange and cross-market promotion to position both Malaysia and Oman as attractive investment destinations.

Key areas of cooperation include:

- Joint cross-market promotion of Malaysian and Omani investment opportunities to investors in both countries.
- Assessing the feasibility of mutual recognition arrangement between the SC and FSA Oman to promote cross or dual listings of products and listed companies.
- Joint development programmes, including staff secondments and other training programmes.
- Knowledge sharing on published capital market research, policy frameworks, and market development strategies.

Through this Joint Programme, the SC seeks to leverage Malaysia’s mature Islamic Capital Market to strengthen linkages between ASEAN and the GCC. By aligning regulatory practices, promoting cross-border investment opportunities and enhancing institutional capabilities, the programme provides a practical pathway for GCC investors to access opportunities in Malaysia and the wider ASEAN region, while enabling Malaysian and ASEAN market participants to tap into GCC capital pools. This structured collaboration supports greater regional connectivity, facilitates knowledge and talent exchange, and reinforces Malaysia’s position as a gateway for ASEAN–GCC capital market engagement.



Looking ahead, the SC will continue to strengthen engagements within the GCC, while progressively broadening collaborations with other regions. These efforts will remain anchored on the ICM as a platform for ethical finance, where internationalisation supports not only market connectivity and capital mobilisation, but also the *Maqasid al-Shariah* objectives of sustainable development, social equity, and long-term economic resilience. Through this approach, Malaysia seeks to position its capital market as a credible global hub for Islamic finance, that delivers both financial value and positive societal impact.

## ENHANCING MALAYSIA'S ISLAMIC CAPITAL MARKET LEADERSHIP

The ICM remained a key pillar of Malaysia's capital market in 2025, reflecting the SC's long-standing commitment to market integrity, ethical stewardship, and sustainable development. Anchored by *Maqasid al-Shariah* principles – including the promotion of justice, the protection of wealth and the advancement of societal well-being – and supported by strong governance, robust regulatory framework, and an evolving ecosystem of Shariah-compliant products and services, the ICM plays a central role in supporting inclusive economic growth and strengthening investor confidence.

During the year, the SC advanced initiatives aimed at reinforcing transparency, accountability, and resilience across the ICM ecosystem.

Domestically, the introduction of an enhanced disclosure regime for Shariah screening reviews represented a decisive step towards strengthening accountability, improving data transparency, and reinforcing market discipline among PLCs. At the international level, the SC deepened engagement with global partners across academia, multilateral institutions, and the financial industry to advance thought leadership, facilitate knowledge exchange, and institutional capacity in Islamic finance. Collectively, these efforts support the continued evolution of the ICM and reinforce Malaysia's position as a credible and values-driven Islamic finance ecosystem.

In 2025, Malaysia's international profile and visibility is further bolstered through strategic dialogues, high-level engagements, and collaborations with global counterparts, positioning Malaysia as a capital market that supports long-term national priorities including sustainability, environmental stewardship, social equity, and inclusive economic development.

## STRENGTHENING GLOBAL COLLABORATION AND THOUGHT LEADERSHIP IN ISLAMIC FINANCE

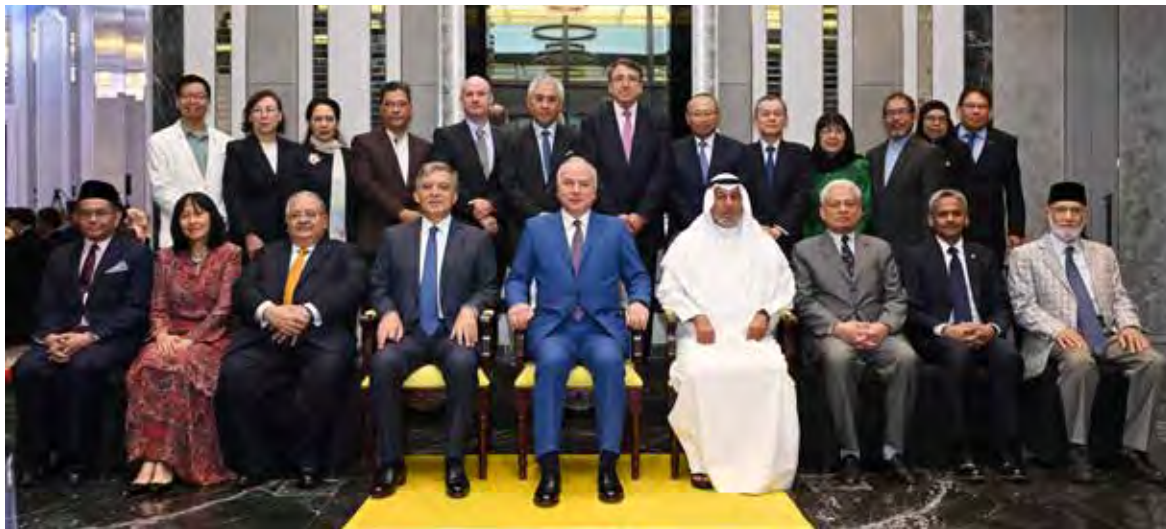
Beyond rules and supervision, a credible ICM is sustained by the quality of leadership and the institutions that shape how the market behaves. Anchored by the objectives of Shariah (*Maqasid al-Shariah*), the SC approaches market development with an emphasis on the substance of its market, ensuring that financial activity remains connected to real economic purpose, social well-being, and long-term resilience.

In this context, selected global collaborations play a vital role. They provide a platform to test ideas, develop talent, and strengthen institutional thinking, helping to ensure that Maqasid-based principles are not treated as abstractions, but are continually interpreted and applied in response to evolving economic and social challenges.

### Academic and Thought Leadership Partnerships

#### *Collaborations with Oxford Centre for Islamic Studies (OCIS)*

The long-standing relationship between the SC and OCIS reflects a sustained effort to ground Islamic finance discourse, in both intellectual rigour and contemporary relevance. In 2025, the **SC-OCIS 16<sup>th</sup> Roundtable** was held on 30 September in Kuala Lumpur and focused on the theme 'Guardians of the Earth: Climate Action through the Lens of *Maqasid al-Shariah*'. Rather than treating sustainability as an external overlay, discussions during the Roundtable centered on how environmental stewardship naturally follows from Islamic conceptions of responsibility, trust, and intergenerational justice. The Roundtable brought together scholars, policymakers, and practitioners to examine how these principles can meaningfully inform investment decisions, governance standards, and market conduct, particularly as climate risks become more financially material.



Additionally, the SC-OCIS Scholar-in-Residence Programme and the Sultan Nazrin Shah Fellowship continued to drive research, innovation, and thought leadership in Islamic finance.

The 2025 SC-OCIS Scholar-in-Residence Programme attracted 28 applications from Southeast Asia, the Middle East, Europe, and the Americas, with the selected scholars taking residence at OCIS from October 2025 for the 2025/2026 academic year. Meanwhile, the Sultan Nazrin Shah Fellowship Programme, jointly organised by the SC and OCIS, will consist of extensive activities encompassing research and development, thought leadership and branding and profiling, focusing on key areas within the ICM.

## Talent Development and Capacity Building

### *SC–Durham Islamic Capital Market Summer School*

A values-based market ultimately depends on people who are able to exercise sound judgment, not just technical competence. With this in mind, the SC launched the inaugural **SC–Durham Islamic Capital Market Summer School** following the signing of a memorandum of understanding with Durham University in 2025. The programme was designed to provide participants with exposure to both academic perspectives and regulatory realities, with a focus on how ethical considerations, risk awareness, and long-term thinking are applied in practice, and ultimately, shape a new generation of ‘Maqasid ambassadors’.

Jointly developed with the Durham Centre for Islamic Economics and Finance and the Durham University Business School, the one-month blended programme combined three weeks of online learning with an intensive in-person masterclass at Durham University from 8 to 12 September 2025. The inaugural cohort of 15 participants from diverse backgrounds, underscores the SC's commitment to building a future-ready talent pipeline anchored in the principles of *Maqasid al-Shariah* for the Islamic finance ecosystem.



## Multilateral and Development Partnerships

### *Islamic Development Bank (IsDB)*

The SC's collaboration with the IsDB focuses on exploring opportunities to support productive economic activity and social development through the ICM. Following the MOU signed in 2024, the SC embarked on numerous initiatives to catalyse partnerships across the 57 IsDB member countries, promoting the use of ICM instruments to support private sector growth.

A key milestone was the SC–IsDB Reverse Linkages Programme, held on 29 April 2025 in Kuala Lumpur. It focused on mobilising ICM instruments such as sukuk, ECF, and P2P financing, while exploring cross-border opportunities, particularly within the halal economy and mid-tier corporate segments. The event resulted in two companies pledging over RM175 million in prospective cross-border initiatives, signalling tangible outcomes for future ICM-driven fundraising.

In addition, the SC and IsDB jointly organised the **Awareness Programme on the IsDB Awqaf Properties Investment Fund (APIF)** on 2 December 2025. The session brought together over 40 participants from State Islamic Religious Councils (SIRCs), waqf corporations, Islamic financial institutions, and ecosystem partners under the theme *Funding Economic Development through Waqf*. The discussions moved beyond conceptual models, focusing on practical considerations such as project structuring, governance, and eligibility. The level of engagement reflected a growing willingness among institutions to adopt market-based approaches in advancing social objectives, consistent with the broader aims of Islamic finance.

In practice, market outcomes are shaped by both decision-making behaviour and the regulatory frameworks within which they operate. By engaging selectively with global partners, the SC seeks to ensure that the objectives of Shariah remain embedded in market practice, informing judgement, strengthening capability, and anchoring the ICM to real economic and social purpose as it continues to evolve.

## Revised Approach to Shariah Screening Review for Public Listed Companies

In a sustained pursuit to foster the advancement of ICM in Malaysia, the SC has been mandated, since 1997, by the Shariah Advisory Council (SAC) of the SC to conduct Shariah screening review for securities listed on Bursa Malaysia. To enable a democratised access for the industry in managing Shariah-compliant investment mandates, the SC issues a bi-annual *List of Shariah-Compliant Securities by the SAC* of the SC that is published on the final Friday of the May and November.

After nearly three-decades and various efforts demonstrated by stakeholders, Shariah-compliant securities listed on Bursa Malaysia have shown significant growth that represents more than two-fold increase, from 371 Shariah-compliant securities in 1997 to 859 Shariah-compliant securities as at 25 November 2025. This reflects the vibrancy of ICM and an upward trajectory of Shariah-compliant securities within the broader securities market in Malaysia.

In charting the way forward for the ICM ecosystem, the SC recognises the importance of sustaining investors' confidence and to progressively optimise efficiency in an ever-evolving market landscape. Underpinned by this commitment, the SC has embarked into a refined approach for Shariah screening review through the introduction of an enhanced disclosure regime, mandated via Bursa Malaysia's Listing Requirements. The requirement entails disclosure on additional financial information in a prescribed format, as part of the breakdown of the annual audited figures, relating to Shariah non-compliant components within the business activities of the PLCs.

The enhanced disclosure aims to foster greater transparency and in turn, strengthen accountability amongst PLCs, as the board of directors are aware that their decisions and outcomes are subject to closer scrutiny. By continuing to provide comprehensive, timely and accurate financial data, public listed companies allow stakeholders to better assess their performance and risk exposure.

As the market evolves, PLCs now operate across multiple sectors with diverse financial disclosures. This has created data intricacies that renders screening assessments increasingly complex as the assessment needs to rely on the unstructured data format in the

disclosure published by the public listed companies. With the enhanced disclosure approach, it enables a more seamless data extraction flow for purpose of Shariah screening review undertaken by the SC.

In order to facilitate effective implementation of the new requirement, the SC has rolled out an awareness programme to enhance PLCs' understanding of the additional financial disclosures. This is achieved through series of webinars that aim to provide guidance on regulatory expectation of the enhanced disclosure. Following the awareness phase, the SC continued its engagement through ongoing email support and the publication of video tutorials and frequently asked questions as reference materials for PLCs.

The SC also remains committed to anchor market's practices with values derived from *Maqasid al-Shariah*. With the enhanced transparency in the disclosure attributed from the additional information provided by the PLCs, this resonates well with the SC's *Maqasid al-Shariah Guidance Islamic Capital Market Malaysia* (Maqasid Guidance), particularly through Aspiration 3 in fostering clarity and transparency of information to stakeholders. Clearer disclosure cultivates and facilitates well-guided and informed decision-making by investors, upholding public interest and promoting a harmonious and ethical society.

Whilst the existing approach has catalysed the growth of Shariah-compliant equities market, the enhanced disclosure regime envisages a more proactive and adaptive information architecture available to investors with an emphasised transparency. This gears the market's landscape forward, with long-term value created and continues to cement Malaysia's leadership foresight in elevating the standard upward to preserve investors' confidence and access to material information.

## Maqasid al-Shariah Task Force for Islamic Capital Market

In charting the future development of ICM in Malaysia, the SC recognises the adoption of Maqasid Guidance issued in November 2023, as a critical enabler. This groundbreaking principle-based document reaffirms that the higher objectives of Shariah which encompasses justice, social well-being, sustainability, and ethical stewardship, should serve as the guiding foundation for ICM activities going forward.

Market adoption of the Maqasid Guidance has exceeded initial expectation. As of 31 December 2025, the SC has received 42 sukuk submissions that are aligned with the Maqasid Guidance, which represents 78% of the total sukuk submissions received in 2025. While adoption of the Maqasid Guidance is voluntary, this level of uptake reflects the industry’s increasing understanding, awareness and commitment to purpose-driven finance.

To sustain the relevance and accelerate the adoption of the Maqasid Guidance across ICM ecosystem, the SC has established the *Maqasid al-Shariah* Task Force for ICM (MaTF) on 26 May 2025. The MaTF serves as a coordinated platform bringing together key stakeholders including financial institutions, regulatory authorities, academicians, and market participants to drive collective actions towards embedding Maqasid Guidance in ICM. Beyond domestic implementation, the MaTF also aspire to position Malaysia’s Maqasid Guidance as a reference point globally.

The MaTF plays a pivotal role in fostering alignment, identifying opportunities for strategic collaboration and innovation between regulators and industry players, and providing leadership amid increasing interest and diverse initiatives to introduce Maqasid-

aligned frameworks and stewardship across the capital market.

Anchored by three core mandates, the MaTF seeks to:

1. Promote and harmonise the adoption of the Maqasid Guidance across the ICM landscape.
2. Develop stewards and champions among industry participants to advocate greater awareness, understanding, and practical implementation of the Maqasid Guidance.
3. Facilitate innovation in financial products and solutions that are aligned with the spirit and objectives of the Maqasid Guidance.

The inaugural meeting of the MaTF was convened on 13 November 2025 and chaired by the SC Chairman. The meeting deliberated and agreed on key priorities and considerations to guide the MaTF in driving the adoption and implementation of the Maqasid Guidance in ICM. Through coordinated initiatives, the MaTF aims to embed the objectives of Shariah and the ethical values aligned with the Maqasid Guidance at the core of the ICM’s growth, thereby ensuring its continued relevance, purposeful and positive societal impact.

**FIGURE 1**  
*Maqasid al-Shariah* Task Force Members



### ***40 Hadith Series Publication: Advancing Thought Leadership in the Islamic Capital Market***

In 2025, the SC embarked on the publication of the 40 Hadith Series comprising a collection of five thematic volumes based on authentic hadiths as part of its ongoing thought leadership initiatives. The publication series commenced when the SC published two of five volumes planned namely *40 Hadiths on Sustainability* and *40 Hadiths on Ethical Sales Transactions*.

Inspired by the esteemed legacy of Imam al-Nawawi, who meticulously gathered forty authentic hadiths in response to the Prophet Muhammad's s.a.w. encouragement to preserve the core teachings of Islam, this initiative reflects the SC's aspiration to integrate knowledge between the traditional method and modern application for the ICM.

The 40 Hadith Series serves as an ethical and intellectual reference for Shariah advisers, industry practitioners, policymakers, academicians, and other stakeholders of the ICM. These publications articulate on the enduring ethical principles in commercial dealings and sustainability in Islam across four thematic dimensions: (i) Humans as Khalifah (Stewards of the

Earth); (ii) Humanity; (iii) Social Responsibility; and (iv) Compassionate Stewardship.

The publication also reflects the SC's continued commitment to integrating Shariah principles into market practices, particularly in promoting ethical conduct, sustainability, good governance, and Islamic social finance. Through this initiative, the SC aims to strengthen the alignment between Islamic ethical values and modern financial practices, fostering a more responsible, inclusive, and resilient ICM environment.

This initiative complements the Maqasid Guidance, which serves as an essential reference for Shariah advisers in aligning ICM products and services with the Maqasid Guidance. It further facilitates broader industry adoption of the Maqasid Guidance while enhancing the quality, consistency, and credibility of Shariah decision-making process across the ICM.

Through this initiative, the SC continues to demonstrate thought leadership in shaping the development of the ICM, reinforcing Malaysia's position as a global centre of excellence in Islamic finance, and upholding its commitment to aligning market practices with the Maqasid Guidance.