

works to address cross-border corporate and trading misconduct. Malaysia's regulatory approach thus remains aligned with international best practices.

To strengthen the efficiency and reliability of surveillance activities, the SC continues to leverage technology solutions for swifter outcomes. Looking ahead, we are exploring the use of generative AI to enhance our surveillance toolkit, particularly in strengthening detection capabilities and enabling more risk-based surveillance. These tools will support earlier identification of potential issues through advanced data analytics and pattern recognition, improve prioritisation by directing supervisory attention towards higher-risk entities and activities, and enhance our ability to efficiently monitor sustainability-related disclosures. Drawing on the experiences of international counterparts, we proactively look for advanced analytics use cases to strengthen our ability to detect and assess irregular financial transactions and trading misconduct in today's complex market environment. Through continuous refinement of tools, processes, and focus areas, we remain committed to safeguarding corporate and market integrity, transparency, and accountability – values that underpin investor trust and drive sustainable capital market growth.

## Ongoing Monitoring and Surveillance over Corporate Bond and Sukuk Issues

### Monitoring Credit Risks in the Corporate Bond and Sukuk Market

As part of the SC's continuous efforts to oversee the corporate bond and sukuk market, the SC actively identifies and monitors issuers facing credit stress. At present, these issuers represent less than 2% of the market and are primarily from the transportation, real estate, and financial sectors. Some of these issuers have sought investors' consent for measures such as extensions to meet financial covenants, delays in coupon or principal repayments, or other refinancing arrangements to better manage their financial obligations. Overall, Malaysia's corporate bond market remains resilient, dominated by highly-rated corporate bond issuers from the financial, real estate, and infrastructure and utilities sectors.

Within the corporate bond and sukuk market, market participants play a critical role in preserving market integrity by adhering to regulations and safe investors' interests. To support this objective, the SC actively

engaged with key stakeholders, such as credit rating agencies, bond pricing agencies, and bond and sukuk trustees, throughout 2025. These engagements focused on sharing expertise, exchanging perspectives, and addressing both current and emerging challenges.

## SUPERVISION

### Supervision of Technology

#### *Strengthening Cyber Resilience as Sector Lead under the Cyber Security Act 2024*

The year 2025 marked a pivotal point of consolidation and execution for the SC in advancing Malaysia's national cyber resilience agenda. Building on the significant regulatory milestones achieved in 2024, particularly the implementation of the revised *Guidelines on Technology Risk Management* (GTRM) and the *Cyber Security Act 2024* (Cyber Security Act), the SC's focus was on effective implementation, enhanced supervisory engagement, and operationalising its expanded mandate as sector lead for banking and finance.

2025 marks the first full supervisory cycle under the enhanced requirements, following the enforcement of GTRM in August 2024. The SC has intensified its oversight of capital market entities to ensure alignment with GTRM standards across governance structures, reporting mechanisms, third-party risk management practices, technology audits, and board oversight responsibilities. This includes targeted thematic assessments, engagement with boards and senior management, and continuous monitoring to strengthen accountability and resilience against evolving technology and cyber threats.

Since the gazettelement of the *Cyber Security Act* in June 2024 and the SC's appointment as sector lead for the banking and finance sector by Prime Minister Dato' Seri Anwar bin Ibrahim in September 2024, the SC has commenced operationalising its responsibilities as sector lead, including conducting initial assessment and designating National Critical Information Infrastructure (NCII) entities, developing a sector-specific *Cyber Security Code of Practice* (Code of Practice), and establishing sectoral compliance monitoring and incident coordination mechanisms. These initiatives are critical to ensuring that Malaysia's financial infrastructures operate under coherent, sector-wide baseline standards for cyber security.

With the NCII designation exercise completed in late 2024, the SC’s priority in 2025 was to supervise and support compliance with by designated entities. Developed in alignment with the GTRM, industry best practices, and statutory requirements under the *Cyber Security Act*, the Code of Practice sets minimum security controls and processes expected of NCII entities. Throughout the year, the SC worked closely with regulated entities to guide implementation, strengthen supervisory structures, and ensure incident reporting and robust response mechanisms.

In parallel, the SC is advancing Malaysia’s capital market preparedness for quantum threats through active collaboration with the National Cyber Security Agency (NACSA) and the *Pusat Teknologi dan Pengurusan Kriptologi Malaysia* (PTPKM) on a national Post-Quantum Cryptography (PQC) migration plan. Building on engagements with NACSA in 2025, the SC is now focusing on sector-specific planning to ensure that critical capital market systems are well positioned for future cryptographic transitions, consistent with global developments.

Collectively, these initiatives encompassing the GTRM implementation, activation of sector lead functions, NCII compliance operationalisation, and advancement of PQC resilience, underscore the SC’s role in 2025 as a key enabler and national leader in technology risk oversight and cyber governance. Through the integration of its regulatory mandate with its expanded national role under the *Cyber Security Act*, the SC is driving systemic cyber resilience across the financial sector and contributing meaningfully to Malaysia’s broader national cyber security objectives.

**Technology Oversight and Supervisory Approach**

In 2025, the SC continued to advance its supervisory agenda with a heightened focus on technology and cyber governance to enhance resilience across the capital market. Recognising the rapid evolution of technology and the increasing complexity of technology risks, the SC continued its assessment of new applicants and selected capital market entities to ensure a secure and well-governed capital market ecosystem.

The SC adopted a multi-pronged supervisory approach to assess technology and cyber risk management practices across the capital market. A total of 233 assessments were conducted in 2025, covering key areas of technology governance, risk management, and compliance, through:



**Structured Assessments**

Three assessments were carried out using a planned, risk-based supervisory approach to identify entities with elevated risk profiles. This systematic process enabled the SC to evaluate technology and cyber risk management practices based on the level of risk exposure.



**Thematic Reviews**

Reviews were triggered by major incidents and focused on common risk areas across affected entities. These helped to identify systemic gaps and reinforced technology and cyber resilience to mitigate future threats.



**For-Cause Assessments**

A total of 230 assessments were initiated following incidents that raised supervisory concerns. These targeted assessments were conducted on specific entities to address the misconduct and strengthen accountability across the market.

Supervisory reviews have highlighted key areas for further development, including–

- improving alignment with internal technology risk frameworks to ensure consistent coverage across all operations;
- enhancing oversight of outsourced technology services to reinforce resilience;
- modernising production systems to optimise performance and safeguard against emerging cyber threats; and

- advancing analytical capabilities and incident response readiness to strengthen preparedness for future threats.

These assessments are intended to ensure entities implement strong governance structures and robust technology and cyber risk management practices in line with the SC’s GTRM. Entities were also encouraged to adopt industry best practices to further enhance their technology and cyber resilience.

### Capital Market Cyber Simulation

As part of the SCxSC initiative, the SC conducted the Capital Market Cyber Simulation (CMCS) 2025 with the participation of 115 entities. These entities were selected according to their level of reliance on technology in daily operations.

Held in collaboration with NACSA and CyberSecurity Malaysia (CSM), the CMCS 2025 underscores the SC’s commitment to strengthening technology governance and cyber resilience across the capital market.

The simulation was designed to–

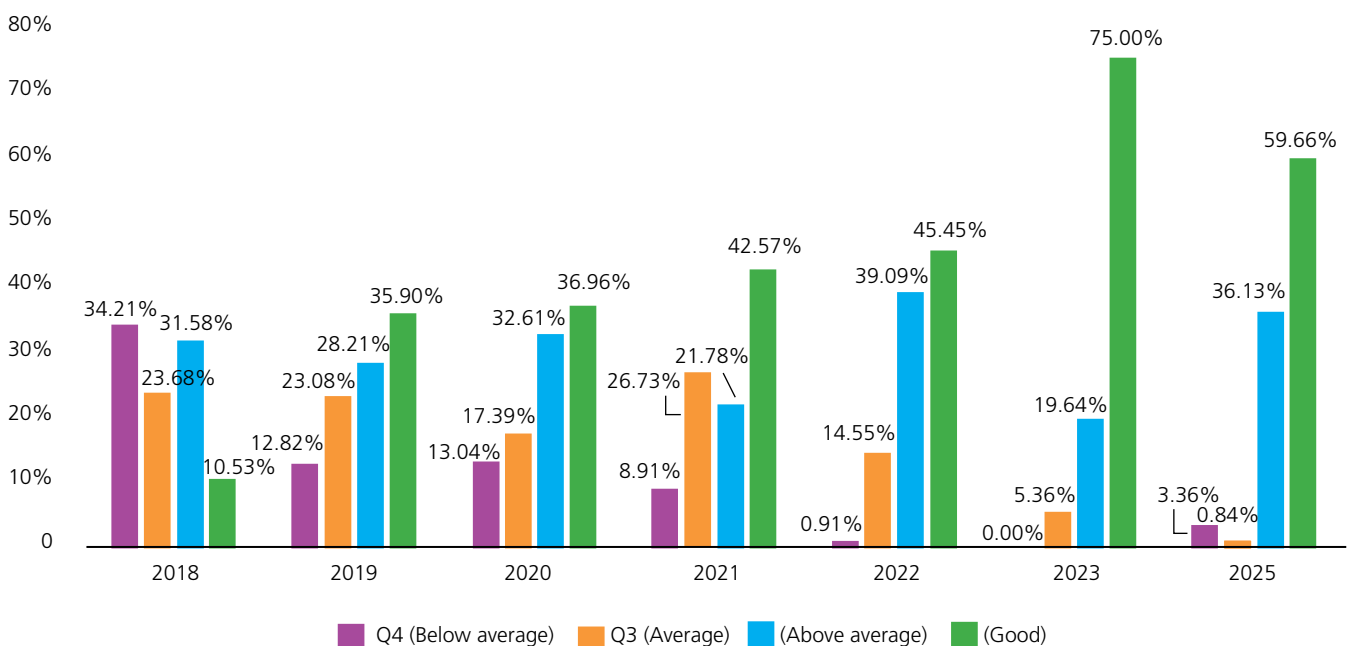
- assess participants’ incident response and recovery capabilities;
- identify potential gaps in technology capabilities within the capital market;
- enhance industry preparedness for effective incident escalation procedures; and
- promote the use of the SC Vault portal for structured and timely incident reporting.

The theme for CMCS 2025, *Silent Theft: Tracing the Invisible Intruders*, featuring three scenarios – supply chain attack, lateral movement, and data breach – was designed to test the industry’s readiness in managing complex incidents.

### Key Outcomes

Despite the increased complexity of scenarios, questions, and artefacts, participating entities demonstrated

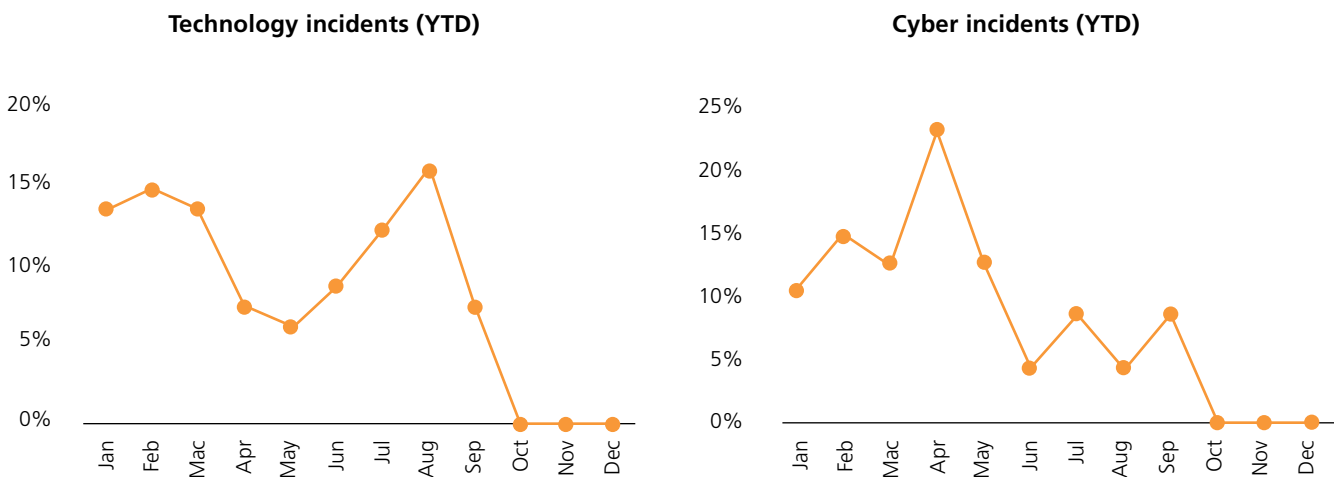
**CHART 1**  
Outcomes of CMCS 2025



notable improvements in incident response maturity. Most entities successfully identified critical findings within a reasonable timeframe, indicating stronger preparedness and more effective response capabilities.

However, the exercise also highlighted gaps in advanced technical capabilities, underscoring the need for continued investment in cyber security skills and infrastructure to address more sophisticated threats.

**CHART 2**



**Technology and Cyber Incidents Trends**

The SC Vault recorded a significant increase in reported incidents, reflecting heightened vigilance and improved reporting practices across the capital market. Of all incidents logged, 68.6% were technology-related, while 31.4% were classified as cyber incidents. This distribution highlights ongoing operational challenges within the technology landscape and reinforces the need for robust cyber defences.

In response, the SC launched comprehensive investigations and strengthened supervisory engagement, placing greater emphasis on third-party risk management as a critical component of technology and cyber security strategies. These actions aim to safeguard operational resilience and protect market integrity against evolving threats.

**Monthly Highlights**

- The month of August marked the highest number of technology incidents reported, primarily driven by network and communication failures.
- In contrast, April 2025 saw the highest number of cyber incidents reported, largely driven by a series of unauthorised access and intrusions which affected multiple brokers.

**Supervision of Capital Market Intermediaries**

The SC continued its off-site monitoring of capital market intermediaries through regulatory submissions, data analysis and ad-hoc engagements. Complementing these efforts, a range of on-site supervisory tools were deployed, including regular structured supervisory assessments, thematic reviews and targeted for-cause assessments initiated in response to complaints and referrals.

### Structured Supervisory Assessment

The SC conducted 29 structured supervisory assessments on selected capital market intermediaries over the year. The assessments were guided by a risk-focused supervisory approach, where intermediaries were selected based on their risk profile – considering inherent risks, risk appetite and strategies, and the effectiveness of governance and internal controls. This approach ensures supervisory resources are allocated to areas of higher risk for greater impact.

Two thematic assessments were undertaken to address identified trends, emerging risks and compliance gaps across intermediaries. These reviews enabled the SC to move beyond a firm-centric approach, focusing instead on sector wide outcomes and systemic risk mitigation.

A total of 180 for-cause assessments were conducted following complaints and referrals related to misconduct. These targeted reviews reinforce accountability and safeguard market integrity.

**TABLE 16**  
Supervisory assessments on intermediaries

Assessment Type	Number of Completed Assessments	
	2025	2024
Structured supervisory assessments	29*	41
For-cause assessments	180	169
Thematic industry reviews	2**	2

Notes:

\* The number of intermediaries identified for these assessments are determined through the evaluation of predefined risk factors.

\*\* The two reviews involved assessments on marketing and distribution of unit trust products and structured products by banks and a thematic review on unit trust trustees.

Concerns identified through the various supervisory activities were promptly communicated to intermediaries through multiple channels to ensure their conduct remains aligned with our regulatory expectations.

**TABLE 17**  
Supervisory outcomes

Supervisory Outcomes	2025	2024
Referral for administrative enforcement action	10	5
Industry communication/ engagement	8	9
Issuance of Infringement Notice	34	28
Issuance of supervisory letter	6	6
Issuance of show cause letter	4	4
Issuance of sanction letter	5	1

Separately, the SC is conducting a review of stockbroking companies (SBCs) to evaluate the effectiveness of their technology operations and cybersecurity risk management, including the oversight of third-party service providers, in compliance with the GTRM.

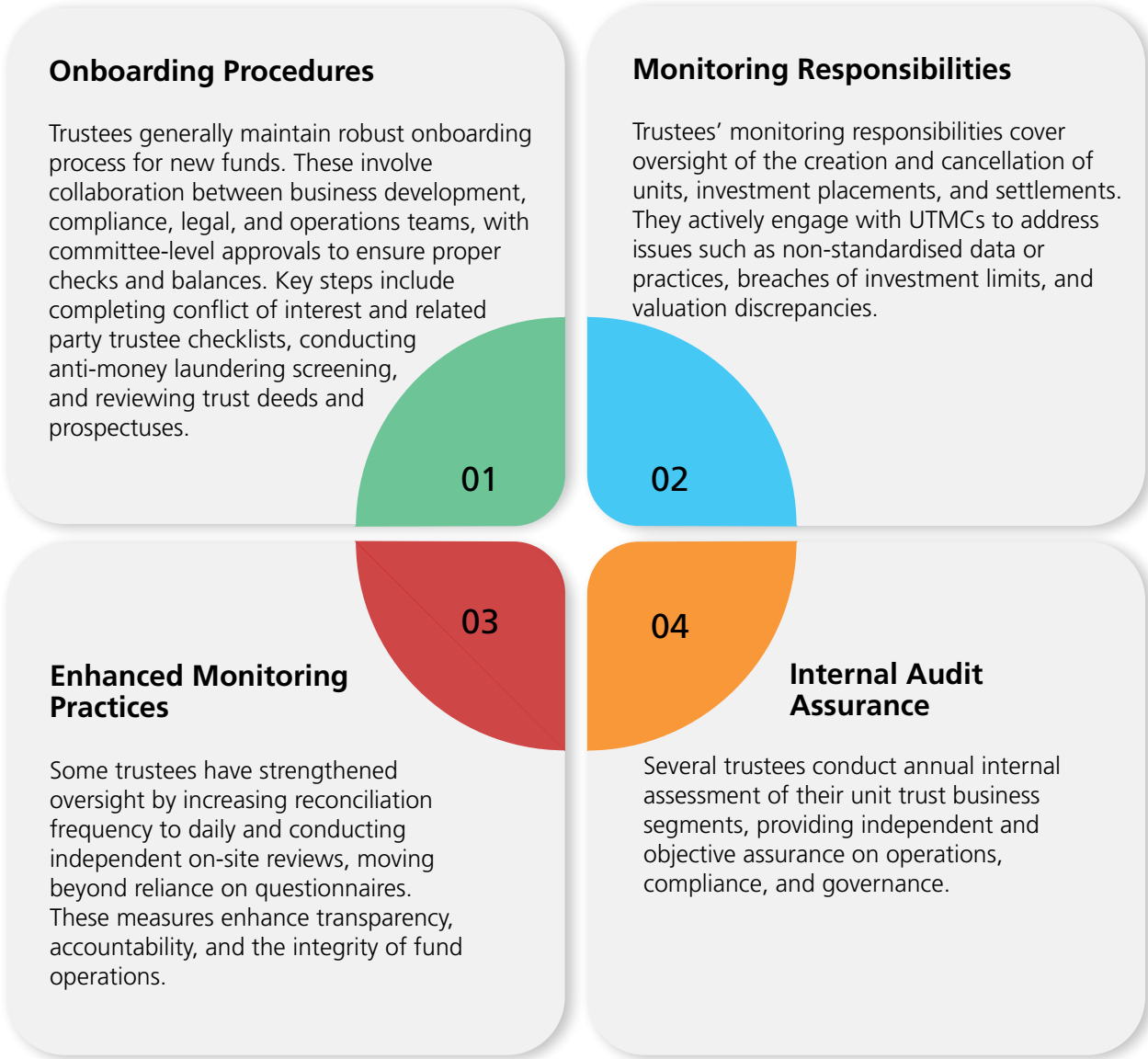
Building on existing requirements, the SC will issue additional guidance to further strengthen SBCs' governance of technology and cyber risks. This guidance will place greater emphasis on the oversight of third-party service providers and assurance of the robustness of technology systems and control environments.

#### 1. Thematic Review on the Monitoring Role of Trustees for Unit Trust Schemes

Trustees of a unit trust (UT) fund are appointed to act in the best interests of unitholders and operate under a trust deed that defines the roles and responsibilities of trustees, the unit trust management company (UTMC), and unitholders, including trustees' monitoring duties.

To assess the adequacy and effectiveness of these monitoring roles, the SC issued a questionnaire to all UT trustees and conducted on-site assessments on selected trustees, focusing on risk management controls and compliance with securities laws and regulations.

**Key Observations**



**Outcomes**

The assessments provided strong assurance that the UT trustees are effectively fulfilling their monitoring responsibilities in line with regulatory expectations. In addition, several trustees demonstrated proactive measures beyond minimum requirements, reinforcing their fiduciary duty to act in the best interest of UT holders. These initiatives reflect a commitment to enhancing governance, transparency and operational integrity across the unit trust industry.

## 2. Assessment on the Adoption of Environmental, Social, and Governance Factors in the Investment Process of Fund Management Companies

The SC continues to integrate environmental, social, and governance (ESG) factors within fund management companies (FMCs), covering investment processes, risk management and stewardship activities.









In June 2022, the SC issued the *Guidance Note on Managing ESG Risks for Fund Management Companies*, outlining expectations for ESG risk management and stewardship of investee companies. To monitor progress, an industry-wide self-assessment was conducted in 2023.

Building on this, a targeted review was carried out in 2025 on selected FMCs to validate the implementation of the ESG Guidance Note and compliance with the SC's *Guidelines on Sustainable and Responsible Investment Funds* (SRI Funds Guidelines). The review focused on key areas including alignment of SRI fund names with their sustainability attributes, disclosure of SRI qualifications in offering documents, and ensuring that at least two-thirds of the net asset value (NAV) are invested in instruments adhering to sustainability criteria.

The initiative reinforces the SC's commitment to promoting responsible investment practices and strengthening investor confidence in Malaysia's sustainable finance ecosystem.

### Key Observations

The 2025 review revealed encouraging progress in ESG integration across the fund management industry, particularly among larger FMCs. Notable findings include:

 <p>Most large FMCs (AUM &gt; RM10 billion) and some smaller ones, have implemented ESG frameworks to guide investment and risk decisions.</p>	 <p>Most FMCs have dedicated committees overseeing responsible investment strategies.</p>
 <p>ESG risk assessments are becoming more robust using in-house scores, third-party ratings, and independent evaluations.</p>	 <p>Stronger stewardship through ESG engagement to enhance sustainability and long-term resilience.</p>
 <p>Large FMCs use independent validation to improve transparency and reduce greenwashing risks.</p>	 <p>FMCs are strengthening ESG capacity through dedicated hires, training, and professional qualifications.</p>
 <p>Aligning with global standards such as the UN Principles for Responsible Investment (UNPRI) and the Task Force on Climate-related Financial Disclosures (TCFD) can strengthen ESG practices.</p>	 <p>FMCs managing SRI funds comply with the SRI Funds Guidelines, ensuring proper fund naming, clear SRI disclosure, and maintaining at least two-thirds of NAV invested in sustainable instruments.</p>

### Outcomes

Overall, ESG considerations are increasingly becoming a standard practice in the fund management industry, particularly among the large FMCs. Smaller FMCs are encouraged to accelerate their adoption of ESG practices to remain competitive and attract new generation of investors who prioritise ethical and sustainable business models. The SC remains committed to advancing this agenda by providing clear guidance and clarity in strengthening regulatory expectations and supporting continuous improvements in ESG capabilities across the industry. These efforts aim to position Malaysia as a leading market for responsible and sustainable investment.

## Supervision of Exchanges and Financial Market Infrastructures

### *Supervision of Bursa Malaysia Bhd*

As Malaysia's sole integrated exchange group, Bursa Malaysia carries statutory obligations to ensure fair and orderly markets, safeguard investor interest, exercise prudent risk management, and maintain sufficient financial, human and technological resources. This includes automated systems with sufficient capacity and robust security measures to support market activity.

Technology remains an integral component of Bursa Malaysia's infrastructure. With systems becoming increasingly automated and interconnected, ensuring the reliability and resilience of Bursa Malaysia's critical systems is paramount for the effective discharge of its role.

In 2025, the SC completed its regulatory assessment (RA) focusing on Bursa Malaysia's technology risk management framework. The review focused on the board of directors' governance over strategic and risk aspects, technology and cybersecurity management, human capital management, and oversight of third-party service providers. The review also assessed Bursa Malaysia's response to crisis-handling protocols in response to certain incidents.

Bursa Malaysia's IT infrastructure and systems are generally adequate to meet the current needs. To further strengthen the resilience and support long-term growth, several areas have been identified for improvements, focusing on future readiness and operational excellence. Areas for consideration include:

- Enhancing monitoring of trading systems capacity and early warning mechanisms.
- Broadening supervisory reach and monitoring of third-party service

In August 2025, the SC held a high-level dialogue with Bursa Malaysia's board regarding the RA findings, emphasising the board of directors' role in exercising effective oversight and fulfilling their responsibilities in addressing the identified issues.

### *Reassessment of the Proposal for Bursa Malaysia Regulatory Subsidiary*

In 2020, the SC and Bursa Malaysia jointly announced the proposal to establish Bursa Malaysia regulatory subsidiary (Bursa RegSub) to assume the regulatory functions undertaken by Bursa Malaysia. The primary objective of the establishment of Bursa RegSub was to further strengthen Bursa Malaysia group's conflict of interest (COI) governance framework with clearer delineation of its regulatory functions and commercial operations.

Nevertheless, pending legislative changes towards the establishment of Bursa RegSub, Bursa Malaysia has systemically strengthened its COI framework including incorporating recommendations relating to the proposed Bursa RegSub in its governance model in 2021.

In light of this development, it has been agreed that there is no immediate need for the establishment of Bursa RegSub at this juncture and the SC will continue to monitor and supervise Bursa Malaysia group, ensuring that any governance concerns are effectively addressed or mitigated.

### *Supervision of Recognized Market Operators*

The SC's regulatory framework on RMOs – covering ECF, P2P financing, digital asset exchange (DAX), e-services platform and initial exchange offering (IEOs) platforms – are designed to foster responsible financial innovation while maintaining a balanced supervisory approach. This framework ensures that operators uphold proper conduct, safeguard investor interests, and preserve market integrity.

To achieve this, the SC adopts a risk-based supervisory approach, leveraging data points such as specific risks associated by types of operators and its activities, and complaints trends. Supervisory tools deployed include regular interactions with operators, ongoing reviews of regulatory submissions, thematic reviews, RAs and complaints handlings. These reviews cover governance, operations, cybersecurity and system integrity. In 2025, the SC's supervisory focus was primarily on anti-money laundering and countering financing of terrorism (AML/CFT) due to the growing inherent risks observed across the RMO ecosystem.

The SC continued to refine its supervisory approach in line with the market's growing maturity, where RMOs are expected to uphold higher standards of governance, compliance, and risk management practices. These efforts aim to ensure that the SC's supervisory framework evolves alongside with the growth trajectory of this space and the expanding role of RMOs within the broader capital market ecosystem. The supervisory efforts undertaken include:

- Conducted nine RAs which focused on compliance with anti-money laundering requirements and the adequacy and effectiveness of ongoing due diligence frameworks;
- Completed one thematic assessment to review compliance with the *Guidelines on Advertising for Capital Market Products and Related Services* (Advertising Guidelines); and
- Carried out 63 ad-hoc assessments following monitoring exercises, complaints, and referrals received from the public and other regulatory agencies.

The SC observed several key areas for improvement to strengthen compliance culture and operational efficiency among RMOs. These include consistent implementation of policies and procedures, improved record-keeping practices, and strengthened board governance and oversight.

**TABLE 17**  
Supervisory outcomes following assessments of RMOs

Supervisory Outcomes	2025	2024
Referral for administration enforcement action	1	-
Industry communication/ engagement	5	3
Issuance of infringement notice	9	3
Issuance of supervisory letter	2	2
Issuance of show cause letter	-	1
Issuance of sanction letter	-	1

## Supervision of Self-Regulatory Organisation

The SC's oversight on Federation of Investment Managers Malaysia (FIMM) is aimed at ensuring FIMM effectively discharges its role as a self-regulatory organisation (SRO) to safeguard public interest and protect investors.

In 2025, the SC engaged FIMM on strategic matters including regulatory priorities, operational effectiveness, and sustainability. These engagements were supported by ongoing reviews of regulatory submissions to ensure FIMM's continued compliance with statutory requirements and alignment with regulatory expectations.

The SC participated in FIMM's key events to gain insights into industry developments and best practices. At the International Investment Funds Association Conference 2025, the SC observed collaborative efforts and discussions among global members on shared challenges within the investment fund industry. Additionally, during FIMM's annual convention, the SC noted on emerging trends in fund management, particularly in marketing, distribution and sales practices related to the unit trust and private retirement schemes.

Beyond FIMM's regulatory and industry development efforts, the SC observed that FIMM continues to prioritise industry profiling, revenue generation and capacity building. These efforts are aimed at strengthening its position as an SRO, improving operational efficiency, and enhancing the industry's understanding on regulatory requirements and expectations.

## Supervision of Private Pension Administrator

The SC supervises the private pension administrator (PPA) to ensure it effectively fulfils its role as the central administrator for private retirement scheme (PRS), including offering education on investment and retirement saving through PRS.

In 2025, PPA continued to facilitate enrolment and top-up services via the PRS Online platform for both members and the public. It also undertook efforts to enhance its operations and supplemented investor education through system enhancements, marketing initiatives, and promotional campaigns. These efforts are critical to improve PPA's operational efficiency, increase public awareness, and enhance financial literacy, thereby supporting the sustainable growth of the PRS industry.