



EXPANDING BREADTH, INNOVATION AND COMPETITIVENESS OF MARKET



INTRODUCTION

Broadening capital market access continues to be an important driver in expanding the breadth, innovation and competitiveness of the Malaysian capital market. At the same time, effective capital market access requires alignment with development within the larger stakeholder economy and the creation of an ecosystem that would drive business sustainability across all segments of the Malaysian capital market.

In this context, the SC carried out developmental efforts to ensure that the market would continue on the path of sustainable economic recovery and growth within an inclusive stakeholder environment.

STRENGTHENING INVESTMENT AND FUNDING ECOSYSTEM

Towards creating an investment and funding ecosystem that is relevant, efficient and diversified, the SC had introduced flexibilities and facilitated innovation, aimed at expanding investment options and access, as well as enhancing the efficiency of the public markets.

Enhancing Investment and Advisory Options

Expanding categories of sophisticated investors to provide greater access to capital market products

Given the ever-changing investor base and market conditions, the SC continues to review regulations to meet market and investors' needs. The following initiatives were carried out to allow investors to expand their investment options while at the same time enabling issuers to tap into a larger pool of sophisticated investors.

- In July 2021, Schedules 6 and 7 of the CMSA were amended to widen the categories of persons who qualify as 'sophisticated investors'. These included, among others, individuals with investments of RM1 million in capital market products, either on their own or through joint accounts with their spouse; CEOs and directors of licensed or registered persons under the CMSA; and corporations that manage funds of their related companies with assets of more than RM10 million.
- In August 2021, in line with the amendments to the respective Schedules, the SC issued a technical note to further clarify the categories of high-net-worth individuals (HNWI) and high-net-worth entities (HNWE) under Schedules 6 and 7 of the CMSA. The technical note, among others, clarified the categorisation of HNWE and calculation of the threshold to qualify as an HNWI.



[Read more on Updated Categories of Sophisticated Investors \(as at 1 July 2021\)](#)



[Read more on media release 'SC amends capital market laws to widen categories of sophisticated investors, exemption for SC's approval on corporate proposals'](#)

Broadening and strengthening the role of financial planning industry

Following the launch of the three-year joint action plan for the financial planning industry in 2020, the industry had witnessed the following encouraging developments:

- As at end 2021, 20% of financial planning firms had representatives fulfilling the additional competency requirements to provide specific advice to investors on a wider spectrum of securities. These securities include listed securities such as equities, debentures or warrants listed on Bursa Securities, as well as unlisted corporate bonds or sukuk. Investors would be able to obtain a more comprehensive financial plan, thus encouraging a more holistic approach to investment planning by the industry.
- Recommendation on elevating the industry's overall standards and practices was completed via the harmonisation and elevation of the code of ethics and best practice standards by the relevant certification associations for financial planners. The industry code of ethics focused on elements such as integrity, fairness and competency, together with best practices served as a benchmark for professional conduct expected of a licensed financial planner.

The joint action plan was also aligned with the SC's objective to empower investors to make informed investment decisions and be aware of investment frauds. The industry had set up an Investor Protection Group to provide guidance to financial planners and centralise assessment regarding doubtful activities.

Promoting competitiveness and innovation in the unit trust fund industry

In December 2021, the *Guidelines on Unit Trust Funds* was revised to promote competitiveness and innovation within a balanced and proactive oversight regime.

Key revisions, among others, entail the following:

- Expanding requirements to allow foreign securities

lending activity as well as allowing sale and repurchase transactions and reverse repurchase transactions for efficient portfolio management;

- Allowing investments in investment accounts, which are products regulated by BNM, investment in physical-backed metal ETF, and increased exposure to foreign government securities;
- Removing restrictions on a management company's ability to hold units in its funds provided that adequate policies, procedures and controls are established to manage any potential conflict of interests; and
- Removing restrictions on sources of distribution by a fund subject to adequate disclosures to investors.

The following controls and safeguard measures were also introduced to uphold investor protection:

- Strengthening requirements on unit trust management companies' risk management for their business and funds; and
- Requiring unit trust management companies to disclose fund information on their website to promote greater transparency and access to information.



[Read more on Revised Guidelines on Unit Trust Funds](#)



[Read more on media release 'SC broadens access to investments; liberalises unit trust framework'](#)

Facilitating cross-border access to ASEAN Collective Investment Schemes

Connectivity via the cross-border offering of funds was enhanced with the admission of the Securities and Exchange Commission (SEC) Philippines into the ASEAN Collective Investment Schemes (CIS) Framework in May 2021. Joining the earlier signatories, namely the SC, the Monetary Authority of Singapore, and the SEC Thailand, the ASEAN CIS Framework aims to facilitate cross-border product access and fund distribution for investors and issuers, respectively.

With the SEC Philippines' participation in the ASEAN CIS Framework, eligible management companies in Malaysia may now offer eligible funds to retail investors in Philippines (in addition to Singapore and Thailand) and qualified investment companies in the Philippines and their fund managers will also be able to offer eligible funds to retail investors in Malaysia, Singapore, and Thailand.

Strengthening international trade

The SC continued to be involved in various regional and international committees and trade agreements to support the Government's overall international trade and economic agenda. Participation in these fora also facilitated access into the Malaysian market, while safeguarding the interests of Malaysian investors and companies abroad. The SC's involvement includes the ASEAN Working Committee on Financial Services Liberalisation (WC-FSL), ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) review, and the Malaysia-European Free Trade Association Economic Partnership Agreement (MEEPA).

Enabling Greater Efficiency of Public Market Fundraising

Promoting faster time-to-market via new frameworks for IPO/RTO and Principal Adviser

The new framework for initial public offering (IPO) and reverse take-over (RTO), which promotes shared responsibility among key stakeholders involved in the submission of an IPO for listing on the Main Market of

Bursa Malaysia, or RTO of corporations listed on the Main Market, came into effect on 1 January 2021.

Under the new IPO framework:

- Mandatory pre-submission holistic consultation between the SC and key stakeholders was introduced to enable issues to surface and be addressed prior to the formal submission of IPO/RTO applications. This had resulted in a smoother and more efficient review for companies seeking listing on the Main Market and more efficient processing of RTO applications.
- The exposure period for IPO prospectuses on the SC's website had been extended. The longer exposure period had enabled greater public participation in providing feedback on the draft prospectuses.

Expanding the pool of Principal Advisers

The Principal Adviser (PA) regime had been liberalised to enable a larger pool of qualified professionals to be involved in the submission of IPO or RTO applications to the SC. This new regime came into effect on 1 January 2021 in conjunction with the new framework for IPO/RTO.

In 2021, the number of principal advisers had increased to 17 from 15 in 2020. In addition, the number of qualified professionals had increased significantly from 48 in 2020 to 86 in 2021. This liberalisation addressed the industry's concern on the small pool of corporate finance professionals who are able to make submissions to the SC, and in 2021, the SC had seen a higher number of corporate proposal transactions, including IPOs.

ARTICLE 1

PRIVATE PLACEMENT – STRENGTHENING THE PILLARS OF THE REGULATORY ECOSYSTEM

In light of the significant disruptions to the business environment due to the COVID-19 pandemic, the SC and Bursa Malaysia introduced various relief measures to assist PLCs in navigating through the pandemic. One of the relief measures allowed PLCs to increase the general mandate limit for a new issue of securities from the existing 10% to not more than 20% of the total number of issued shares, subject to certain conditions, initially for a period up to 31 December 2021. In December 2021, the deadline for the relief was extended to 31 December 2022 for PLCs that have yet to raise any funds using the 20% mandate in 2020 or 2021.

In 2021, the SC conducted a Policy Evaluation on this fundraising relief by examining the General Mandate Private Placements (GMPPs) announced in 2020 in line with the SC's adoption of an evidence-based regulatory policy framework. Comprehensive data on GMPPs announced in 2020 was collected and analysed, and the findings were used to provide a greater understanding of the GMPP market as well as to inform deliberations on similar policies.

In 2020, a total of 133 GMPPs were announced by 126 PLCs, with a total value announced standing at RM5 billion¹. As shown in Chart 1, a total of 48 (36%) GMPPs were under the 20% mandate (20% GMPPs), while the remaining 85 (64%) GMPPs were under the usual 10% mandate (10% GMPPs). The total value announced under 20% GMPPs was RM2.1 billion (average of RM44 million per 20% GMPPs), while the total value announced under 10% GMPPs was RM2.9 billion (average of RM34 million per 10% GMPP).

In 2020,
48 PLCs
benefitted from the 20%
General Mandate Private
Placements relief

Main Market PLCs announced 78 GMPPs (27 for 20% GMPPs and 51 for 10% GMPPs) while the ACE Market PLCs announced 55 GMPPs (21 for 20% GMPPs and 34 for 10% GMPPs). As a percentage of the total number of PLCs in each market, it was more common for ACE Market PLCs to announce GMPPs; around 40% of ACE Market PLCs announced GMPPs in 2020 compared to only around 10% of Main Market PLCs. As presented in Chart 2, the most active sectors to announce GMPPs were the Industrial and Technology sectors.

Chart 1
GMPPs in 2020

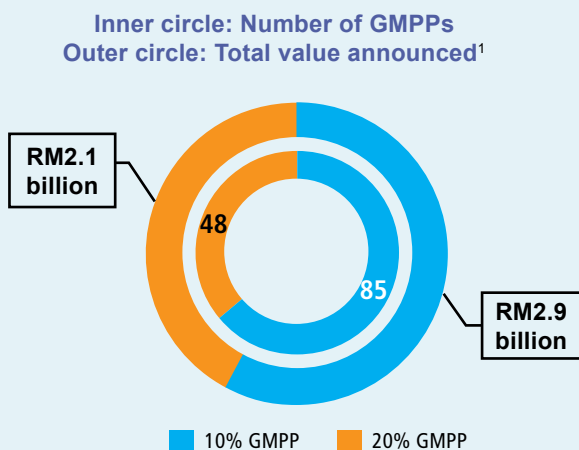
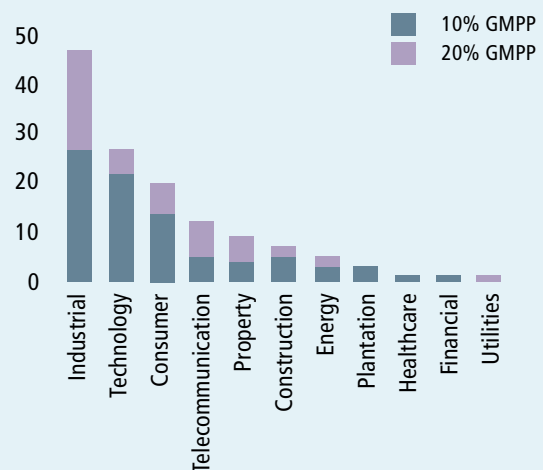


Chart 2
Number of GMPPs announced in 2020 by sector



¹ 'Total value announced' refers to the total amount announced by the PLC when the GMPP was first announced and may differ from the actual amount raised.

The evaluation also revealed that the advisory market for GMPPs was concentrated among four PAs. These four PAs accounted for 71% of all GMPPs announced in 2020 and 52% (RM2.6 billion) of the total value announced.

Four Principal Advisers
accounted for
71%
of all General Mandate
Private Placements in
2020

This evaluation also analysed the shareholder voting outcomes of each of the 20% GMPPs since the 20% GMPPs must be approved by shareholders in a general meeting. Generally, the SC observed that the level of dissent was very low; the proportion of dissenting votes was only 0.4% on average and 17 out of 48 resolutions received no dissent at all. The shareholder bases of these PLCs were also relatively small, with only an average of 33 shareholders needed to pass the resolution. While this could indicate overwhelming support for the 20% GMPP resolutions, it could also imply low levels of investor activism among minority and institutional shareholders. A further review in this area may be carried out to understand the underlying shareholder dynamics and heighten investor activism.

The SC's assessment highlighted that many PLCs had utilised the 20% GMPP relief (and the existing 10% GMPP policy) to help them weather through the pandemic.

In the UK, listed companies were also given the flexibility to raise funds up to 20% of their share capital on a temporary basis instead of the usual 5% for general corporate purposes, with an additional 5% for specified acquisitions or investments. The Pre-Emption Group, an industry body comprising listed companies, investors and intermediaries which exist to promote best practice in the observation of investors' pre-emption rights, recommends that listed companies intending to access this flexibility must fully explain the particular circumstances of the company, including how the companies are supporting their stakeholders. Alongside the issuance information, these companies are also expected to disclose the shareholder consultations undertaken prior to the issuance and efforts made to respect pre-emptive rights.

Both PLCs and investors have specific roles to collectively deliver robust protection for investors. As such, to promote market transparency, the industry and PLCs should take a cue from international best practices to provide adequate and meaningful GMPP disclosures to investors, and ensure proper utilisation of the proceeds raised. Investors should also exercise vigilance when reading the GMPP proposal documents and raise concerns, if any, during general meetings. PAs advising on GMPPs and the intermediaries involved must put in place robust processes, controls, and resources to ensure the highest quality of due diligence and compliance.

Enhancing the SPAC framework

To ensure that the SPAC framework remains relevant, with the aim of spurring interest in deals involving SPACs, the *Equity Guidelines* was revised on 16 December 2021.

Under the revised SPAC framework:

- Qualifying acquisitions will no longer be limited to only cash acquisitions and may include business combinations;
- The threshold for shareholders' approval of the qualifying acquisition had been reduced from a special resolution of at least 75% majority to a simple majority approval by all shareholders present and voting. This served to minimise the greenmail issue faced by SPACs, where certain investors acquire interests in a SPAC and use their ability to vote against a proposed qualifying acquisition to obtain additional consideration from the SPAC's management team;
- Greater clarity was provided to allow professionals with extensive experience in PE and VC with asset sourcing and deal making experience to steer SPACs. This could potentially broaden the target asset universe, and spur mergers and acquisitions by Malaysian corporations; and
- Minimum IPO price had been raised from RM0.50 to RM2.00 to signal the higher risk of investing in SPACs *vis-à-vis* traditional IPOs.

This revised framework will be effective on 1 January 2022.



[Refer to Summary of Amendments of the Revised Equity Guidelines](#)

Enhancing fundraising process via amendments to Schedules 5, 6 and 7 of CMSA

To increase the efficiency of the fundraising process, the SC exempted the following types of corporate proposals from requiring approval via amendments to Schedule 5 of the CMSA:

- initial exchange offering (IEO) of digital assets through an RMO; and
- IPO or cross-listing of the shares of a public company or listed corporation on a stock exchange outside Malaysia.

Schedules 6 and 7 of the CMSA had also been amended to enable Bursa Malaysia to undertake the registration of ACE Market prospectuses effective 1 January 2022. This amendment would result in Bursa Malaysia becoming the one-stop centre for all approvals in relation to ACE Market listings.

Driving Greater Liquidity and Improving Market Vibrancy

Enhancing market making framework

Recognising the importance of market makers in the capital market ecosystem, the SC approved a two-year pilot market making programme to increase the liquidity and price efficiency of selected mid to large capitalisation stocks with low velocity.

Stocks eligible for the programme are those with the following criteria:

Eligible stocks criteria

Daily market capitalisation	≥ RM500 million
Velocity	≤ 35%
Public float	≥ 15%

Market makers registered with Bursa will be market making a certain number of these eligible shares while adhering to a list of prescribed trading obligations.

To encourage participation from the market makers, various fee rebates and waivers were offered to attract market makers to participate in this two-year programme.

The pilot programme was rolled out in June 2021.

Maintaining Competitiveness of the Derivatives Market

To cater to changing investor needs and reflect current market practices, a new futures contract was introduced, and modifications were also made to some existing contracts on Bursa Malaysia Derivatives (BMD).



Streamlining the Crude Palm Kernel Oil Futures contract

After taking into account the growth of the crude palm oil industry, and the need for greater harmonisation among the available palm oil futures contracts on offer to traders and market participants, the Crude Palm Kernel Oil (FPKO) contract was revised and made available for trading from 8 March 2021.

As the palm oil industry pivots towards sustainability-friendly business practices, BMD requires traceability documents to be produced when there is delivery of palm kernel oil. This will provide some clarity for buyers looking to show a commitment to sustainability on where and how their palm oil is sourced. The number of delivery ports was also reduced to emphasise those with higher activity levels and greater proximity to palm oil production and consumption centres. Other changes to the FPKO contract included improved quality of deliverable oil and adjustment to its trading limits.



[Read more on media release 'Bursa Malaysia Derivatives revamps Crude Palm Kernel Oil Futures Contract \(FPKO\) to meet the needs of the industry'](#)



Revision of existing MGS futures contracts

As part of an initiative to revamp and generate vitality in the MGS futures contracts, BMD announced a revamp to the existing 3-Year MGS futures contract (FMG3) and 10-Year MGS futures contract (FMGA).

To better align with the 5-Year MGS futures contract (FMG5), the settlement methodology for both the FMG3 and FMGA futures contracts was changed from cash to physical. Several modifications were also made to the contract specifications to ensure that both futures contracts can be traded efficiently as physically settled futures contracts.

The alignment of the three MGS futures contracts into physical delivery allowed BMD to offer products across the spectrum and meet the short, medium and long-term hedging needs of market participants. The FMG3 and FMGA contracts were relaunched to the market on 27 December 2021.



Introducing a new derivatives contract: the East Malaysia Crude Palm Oil Futures

In providing market participants with a better avenue for price discovery of the crude palm oil market in East Malaysia, the East Malaysia Crude Palm Oil Futures (FEPO) contract was launched on 4 October 2021. The introduction of FEPO aimed to complement the FCPO contract to allow market participants of various needs and circumstances to hedge with greater ease.

The FEPO contract mirrors the original FCPO contract save for a few key changes. Firstly, the three-port tank installations in East Malaysia are chosen to ensure cost-efficient delivery of crude palm oil. Secondly, the contract starts trading half an hour earlier to allow arbitrage opportunities and greater visibility, particularly to the commodity traders in China's palm olein market of the Dalian Commodity Exchange. Market activity has been positive, with growth in trading volumes observed since the initial launch.



[Read more on media release 'Bursa Malaysia Derivatives launches East Malaysia Crude Palm Oil Futures \(FEPO\)'](#)



[Read more on details on FEPO](#)



Enabling after-hours trading for the derivatives market

In line with the ongoing initiatives to enhance the competitiveness of the Malaysian derivatives market, trading hours of BMD were extended with the introduction of the after-hours trading on 6 December 2021.

The after-hours trading allowed market participants on BMD to trade commodity and equity index derivatives contracts from 9.00 pm to 11.30 pm from Monday to Thursday. Market participants would be able to integrate developments during the US and European trading hours into price discovery for the respective contracts. As a result, this had increased the effectiveness of BMD products as risk management tools, thereby attracting more global market players into trading derivatives products offered by BMD.

The after-hours trading recorded an encouraging start with participation from various market segments, both domestic and international.



[Read more on media release 'Bursa Malaysia Derivatives' Night Trading Goes Live on 6 December 2021'](#)



[Read more on Products Available in After-hours Trading Session](#)

SPURRING CONTINUED GROWTH VIA DIGITAL DEVELOPMENTS AND INNOVATION

As the demand for digital and online services grew, the capital market continued to witness encouraging growth via digital innovation and the introduction of new business models; allowing intermediaries, businesses and investors to benefit from accessibility, efficiency, transparency and convenience.

Diversifying Sources of Financing for MSMEs

Since their inception, new alternative financing platforms such as ECF and P2P financing have benefitted more than 4,000 MSMEs, with total funds raised at RM2.7 billion. While still relatively small in size, these alternative financing avenues had grown to become a viable source of financing for MSMEs, increasing their reach to small and emergent companies.

In particular, ECF and P2P financing had helped to address the financing needs of MSMEs during the pandemic, as both markets had raised more than RM1.8 billion since the start of the MCO in 2020.

As part of a continual evolution of the ECF market, several initiatives were introduced in 2021 to serve the needs of a wider range of businesses and spur market growth:

- The single lifetime fundraising limit on the ECF platform was raised to RM20 million from RM10 million previously to facilitate start-ups and MSMEs in raising early-stage financing in a flexible and competitive manner;
- The list of ECF eligible issuers was expanded to include unlisted public companies. To ensure parity of regulations, enhanced disclosure requirements were imposed, requiring unlisted public companies seeking funding through an ECF platform to submit among others, a prospectus as prescribed in the RMO Guidelines to the ECF operator; and



[Read more on the revised RMO Guidelines](#)

- Approval of the first Microfund was granted to an ECF operator to widen product offerings on the ECF platform. A microfund is a common vehicle set up by venture capitalists/angel investors to invest in start-ups or growth-stage companies.

INITIATIVES TO SPUR FURTHER GROWTH OF ECF



ECF fundraising limit raised from RM10 million to RM20 million



List of eligible ECF issuers expanded to include unlisted public companies



1st Microfund approved to be hosted on ECF platform

Catalysing access to financing via MyCIF

Since its establishment in 2019, the Malaysia Co-Investment Fund (MyCIF) has received RM180 million in allocation from the government for co-investment with private investors through ECF and P2P financing platforms. To date, MyCIF has successfully co-invested over RM357 million in more than 16,000 ECF and P2P financing campaigns, benefitting 2,280 MSMEs. The fund had co-invested alongside more than RM1.36 billion from private investors.

Separately, an additional RM5 million had been channelled to MyCIF to co-invest in Social Enterprises. MyCIF-Social Enterprise Scheme (MyCIF-SE) was operationalised in 2020, when MyCIF began co-investing in P2P financing campaigns involving social enterprises accredited by the Ministry of Entrepreneur Development and Cooperatives (MEDAC). The co-investments were on a 1:1 basis where MyCIF would forego its share of interest/return to reduce the cost of financing for social enterprises.

MyCIF had benefitted businesses of different sizes across various sectors. These included tech-enabled platforms and brick-and-mortar businesses that required financing for business expansion and working capital.

Providing new fundraising avenue through IEO platform

Following the introduction of the regulatory framework governing digital token offering through the IEO platform, the SC opened the application for prospective IEO operators to register as an RMO, with encouraging interest from potential applicants. Regulatory assessments on IEO operators are underway. These assessments are paramount to ensure that all operators registered with the SC have the necessary systems, competencies, and ability to objectively undertake a comprehensive due diligence process on potential issuers.

Enhancing Offerings in the Recognised Markets

Since introducing the DAX framework in 2019, the SC had registered four DAXs, namely Luno Malaysia Sdn Bhd, SINEGY Technologies (M) Sdn Bhd, Tokenize Technology (M) Sdn Bhd, and MX Global Sdn Bhd.

Despite market uncertainties following the pandemic, the domestic digital asset market had continued to grow, with approximately RM21 billion in digital assets traded across all registered DAXs in 2021. It continued to garner investors' interest as the total number of investment accounts grew by close to 300% to approximately 760,000 in 2021 (2020: more than 190,000). Investors aged below 35 years comprised the largest segment at 62%, holding more than 470,000 accounts as at end 2021.

The SC continued to facilitate the introduction of new digital assets to be traded on DAX, with the approval of Bitcoin Cash (BCH) in March 2021 as an additional permissible digital asset. The other digital assets permitted to be traded on DAX include Bitcoin, Ripple, Ethereum, and Litecoin.

In line with the approach of facilitating new market structures for trading, distribution, and hosting of capital market products, the SC registered a RMO-General to operate an interbank trading platform for repurchase agreements and reverse repurchase agreements.

In the e-Services segment, two newly registered RMO were given concurrence to operationalise as e-Services Platforms (RMO-eSPs).

Driving Further Inclusivity Through Digital Intermediation Models

The market saw the emergence of another digital-only broker in 2021. Digital brokers have gained traction from the growing number of retail investors using online brokerage accounts. The increased retail interest in the equity market during the pandemic had also pushed digital brokers to new highs, gaining a retail market share of 5.45%² with total number of accounts having risen by more than 50% to approximately 251,000 in 2021 [2020: more than 165,000]. Millennial investors comprised the majority of the clientele base.

The digital investment management (DIM) segment continued to expand its capital market offerings to address the investment needs of the emerging digital generation of investors. The segment had grown in an upward trend over the years, with a total AUM of more than RM1 billion as at end 2021. An additional DIM company was licensed in 2021, bringing a total of eight DIM companies currently in operation.

The DIM segment had managed to attract and serve the younger demography of investors, with more than 70% of participating individual investors in DIM comprising those aged below 35 years and attracting the participation of first-time investors. The emergence of spare change investing, where spare changes from investors' purchases are rounded-up and invested into funds, had also allowed investors to begin investing with small investment amounts with ease.

Promoting Digital Innovation Within the APEC Region for Inclusive Growth

As part of the Asia-Pacific Economic Cooperation (APEC) initiatives, the SC developed and hosted a virtual Crowdfunding Workshop from 17 to 19 August 2021. Originally planned as a physical event during Malaysia's APEC Chairmanship in 2020, the Workshop supported Malaysia's APEC 2020 priority of having more inclusive economic participation through the digital economy and garnered over 130 participants from 16 APEC economies.

The Workshop explored the fundamentals of crowdfunding and the different regulatory frameworks applied by various jurisdictions, regulators' experiences in developing their respective crowdfunding regimes, and the issues and challenges of market participants within the crowdfunding ecosystem.

EXPANDING MARKET TO BROADER STAKEHOLDERS OF THE ECONOMY

The concept of stakeholder economy emphasises long-term value creation – one where businesses assume greater responsibilities beyond short-term profits and account for the needs of stakeholders, ranging from shareholders, employees and business partners to the environment, society, and community. Within the capital market, long-term value creation can be achieved by promoting responsible businesses and facilitating the intermediation of capital to sustainable and responsible businesses, widening its reach to broader stakeholders of the economy.

As SRI plays an important role in facilitating access to sustainable finance across the spectrum of issuers, investors and intermediaries, several measures were introduced in 2021, aimed at deepening and broadening the SRI segment.

Broadening and Deepening SRI Ecosystem

Enabling greater access to sustainable finance

Companies continued to leverage market-based financing instruments such as SRI sukuk and bonds to fund sustainable projects amid challenging economic times. The expansion of the SRI Sukuk and Bond Grant Scheme³ had encouraged more companies to finance green, social and sustainability projects through SRI sukuk and bonds.

A total of RM8.3 billion of SRI sukuk had been cumulatively issued under the SRI Sukuk Framework⁴ since its introduction in 2014 up to 31 December

² This refers to the digital brokers' retail trading value as a proportion of the entire brokerage industry's retail trading value.

³ The scope of the SRI Sukuk and Bond Grant Scheme was expanded for sukuk issued under the SC's SRI Sukuk Framework and bonds issued under the ASEAN Green, Social and Sustainability Bond Standards.

⁴ Cumulative issuances since the introduction of the SRI Sukuk Framework in 2014.

2021. Out of the total SRI sukuk issuances, RM6 billion were dually recognised under both the SRI Sukuk Framework, and the *ASEAN Green Bond Standards/ASEAN Sustainability Bond Standards*. As of 31 December 2021, issuances from Malaysia accounted for 18% of total issuances labelled under the ASEAN Green, Social and Sustainability Bond Standards.

Facilitating issuance of SRI funds through enhanced clarity

In 2021, the *Guidelines on Sustainable and Responsible Investment Funds* (Guidelines on SRI Funds) was revised to facilitate and encourage more issuances of SRI funds in Malaysia. For greater clarity, several enhancements were made by imposing additional disclosure requirements on feeder funds, as well as incorporating certification requirements on tax exemption for SRI funds. As of 31 December 2021, a total of 34 SRI funds were offered in Malaysia.



[Read more on Guidelines on SRI Funds](#)

Driving greater growth in SRI through development of SRI Taxonomy

One of the key building blocks to mobilise private sector investments towards achieving sustainability goals is the development of a taxonomy for sustainable investments. This SRI Taxonomy will provide guidance on the classification of economic activities and promote a common language on the financing of sustainable activities, including addressing greenwashing risks. In 2021, the SC and Industry Working Group (IWG) developed the principles-based SRI Taxonomy for the Malaysian capital market, which comprised environmental, social and sustainability components.

The SRI Taxonomy aimed to facilitate greater product diversity and accelerate the development of SRI as an asset class. It would provide issuers, investors,

intermediaries, and asset owners more clarity and guidance in identifying sustainable investment assets or activities.

The SRI Taxonomy was released for public consultation at the end of 2021. Following the consultation period, the SC would work towards releasing the final SRI Taxonomy document in 2022.

Accelerating financial sector readiness to support transition towards a low-carbon economy

The financial services sector plays a critical role in supporting sustainable business activities. The SC and BNM had made positive strides in accelerating sustainable development and supporting the transition towards a low-carbon economy.

As Co-Chairs of the Joint Committee on Climate Change (JC3), the SC and BNM jointly chaired three meetings in February, August and December 2021. As part of its priorities in 2021, the JC3 discussed the progress of current initiatives and priorities for 2022 under its sub-committees, which include the newly established Sub-Committee on Bridging Data Gaps, to further strengthen the capacity of the Malaysian financial sector in addressing climate risk.

Key deliverables in 2021 include:

- Finalisation of a reference guide on climate-risk management and scenario analysis;
- Development of an application guide for disclosures on climate-related risks; and
- Completion of climate risk-related Foundation Level training programmes.

In June 2021, the SC and BNM jointly hosted the JC3 Flagship Conference 'FinanceforChange' to share knowledge, best practices and solutions in tackling

climate change. Following the three-day conference, the JC3 jointly published a report on the conference's key insights, discussions and calls to action.

As Chair of the JC3 Sub-Committee 3 (SC3) on product and innovation, the SC oversaw the development of a survey on the current landscape of sustainability-related financial products and solutions in Malaysia, which was conducted in 2021 for JC3 members. In addition, the SC3 led six engagement sessions in 2021 with business communities to understand their financing needs and to support their transition towards sustainability.



[Read more on JC3 Report](#)

ASEAN sustainable finance initiatives

The SC had long championed sustainable finance initiatives in ASEAN through its co-chairmanship of the Sustainable Finance Working Group in the ASEAN Capital Markets Forum (ACMF) and the chairmanship of the Infrastructure Finance Working Group in the ASEAN Working Committee on Capital Market Development (WC-CMD).

One of the first sustainable finance initiatives of the ACMF was the launch of the *ASEAN Green Bond Standards* in 2017, followed by the *ASEAN Social Bond Standards* and *ASEAN Sustainability Bond Standards* in 2018. There has been encouraging traction of bonds labelled under these Standards, with a total of US\$20.9 billion issued as at 31 December

2021. Following this initiative, the ACMF issued its *Roadmap for ASEAN Sustainable Capital Markets* (Roadmap) in 2020 to chart ASEAN's path for sustainable finance in other areas of the capital market, and 2021 saw the first full year of implementation for the recommendations under the Roadmap.

One of the key recommendations was the development of the ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy) – Version 1, released on 10 November 2021, which provided a frame for discussions with the public and private sector stakeholders to further develop the ASEAN Taxonomy.

IOSCO Sustainability Task Force




The IOSCO Sustainability Task Force (STF) has been focusing on sustainability-related disclosures for issuers and asset managers, ESG ratings and ESG data providers. As a member of STF, the SC contributed to the *IOSCO Report on Sustainability-related Issuer Disclosures*. The report sets out IOSCO's vision for a global baseline of investor-focused sustainability standards under the *International Financial Reporting Standards* (IFRS) to improve global consistency, comparability and reliability of sustainability reporting. To crystallise this vision, IOSCO closely engaged with IFRS to ensure expectations of international securities regulators were met. This vision was further supported through establishment of the International Sustainability Standards Board (ISSB) and publication of the prototype Climate Disclosure standard at the 26th United Nations Climate Change Conference of the Parties (COP26).

ARTICLE 2


[Read more on JC3 Report](#)

JC3 FLAGSHIP CONFERENCE 2021

FINANCE for CHANGE

 **>70** NOTABLE SPEAKERS
 **6,300** PARTICIPANTS
 **400** COMPANIES

The implications of climate change on financial stability can no longer be ignored. The financial sector has both the responsibility and ability to improve its preparedness to manage the impacts of climate change, as well as mitigate ESG risks while supporting the transition towards a low-carbon economy through its products and services.

As part of its efforts to further engage and build industry capability, the JC3 hosted the JC3 Flagship Conference on 23-25 June 2021, aimed to accelerate sustainable development and drive action within all Financial Institutions (FI) in Malaysia as well as stakeholders in their value chain.

The three-day virtual conference covered discussions over a broad spectrum of stakeholders, including the financial sector, and how sustainability can be integrated into business decision-making at the board and management levels; as well the role of the private sector in accelerating the climate agenda.

The Flagship Conference hosted over 6,300 participants from over 400 companies, including board members, CEOs, senior management and practitioners, as well as FI clients, investees and other value chain players.

There were more than 70 notable speakers including:



**Senator Tengku Datuk Seri
Utama Zafrul Tengku Abdul Aziz**
Minister of Finance, Malaysia



**Tan Sri Dr Jemilah
Mahmood**
Special Advisor on Public
Health to Prime Minister of
Malaysia



Sir David Attenborough
Broadcaster
and Naturalist



Lewis Pugh
United Nations
Ocean Advocate


 “The gravity of climate change and its inherent economic and financial impact requires the financial sector to prepare, adapt and intensify the drive to achieve sustainability. The window for us to make the necessary and fundamental change is narrowing. All stakeholders – Government, regulators, financial institutions, investors, companies and their value chains – must play their part to help achieve the sustainability agenda. We are all in this together.”

– *Datuk Syed Zaid Albar*
Chairman, SC

NINE CALLS TO ACTION HIGHLIGHTED

CALL TO ACTION #1



COLLABORATION AND WHOLE-OF-NATION APPROACH

International collaboration between governments, businesses and civil society is needed to accelerate the transition at the required pace and to make progress in the largest emitting sectors including power, road transport and land use. Collaboration will further drive innovation to create stronger incentives for investors and to reduce the costs of the transition.

CALL TO ACTION #2



EFFECTIVE IMPLEMENTATION OF POLICIES THAT PROMOTE PLANETARY HEALTH

The push for national legislations in favour of improved planetary health is needed. We need to make sure that these legislations are effectively implemented, which means holding our leaders and holding ourselves accountable for the decisions we make that affect both other people and the planet.

CALL TO ACTION #3



ACHIEVE NET ZERO ANCHORED ON SCIENCE-BASED TARGETS AND PUT NATURE AND BIODIVERSITY AT THE HEART OF CLIMATE POLICIES

Climate commitments and strategies need to be anchored on setting science-based targets or be translated into robust expectations toward investee companies. The supply chain and scope 3 emissions need to be addressed to meet the goals of the *Paris Agreement*.

CALL TO ACTION #4



STRENGTHEN GOVERNANCE, OVERSIGHT AND DISCLOSURE OF SUSTAINABILITY

Heightened shareholder activism for material ESG issues can drive change, such as forming coalitions to have greater negotiating power. A strong mandate from shareholders to achieve short- and long-term targets is fundamental to ensure that the necessary changes happen.

CALL TO ACTION #5



ENHANCE GREEN & SUSTAINABILITY FUNDING AND PRODUCTS

The financial sector in Malaysia can be more deliberate in funding sustainability initiatives and incentivising investments in low-carbon sector, e.g. projects under (i) the National Investment Aspirations (NIA) framework, (ii) the Malaysian Climate Action Council's (MyCAC) plan for Malaysia to be a hub in green economy, services and technology, and (iii) the *Low Carbon Mobility Development Plan 2021-2030*.

CALL TO ACTION #6



INTEGRATE CLIMATE IN RISK MANAGEMENT FRAMEWORKS AND ALIGN IT WITH INTERNATIONAL STANDARD AND BEST PRACTICES

When integrating climate risk into enterprise risk management, financial institutions should embed it into the risk management lifecycle, which includes Risk Identification and Assessment, Risk Taxonomies, Risk Reporting, and Risk Mitigation.

CALL TO ACTION #7
**BUILD ON THE TAXONOMY
AND IMPROVE THE DATA
INFRASTRUCTURE FOR
ESG-RELATED RISKS**

To enhance data collection and analysis, ESG-related data should be structured and made accessible for key actors in the financial sector. The data should also be standardised across the industry to promote transparency and comparability. This will catalyse the development of regional ESG products.

CALL TO ACTION #8
**ENGAGE CLIENTS IN
SUSTAINABILITY AND
TRANSITION FINANCE**

Understanding clients' needs is crucial. This can be achieved by choosing the right elicitation format and methodology, assessing the clients' financial and sustainability objectives and understanding the clients' financial and sustainability preferences. Financial institutions can then match their product offering according to the clients' financing needs and sustainability objectives.

CALL TO ACTION #9
**APPLY GENDER AND
SOCIAL INCLUSION LENS TO
CLIMATE CHANGE ACTION**

Gender-smart climate finance can be applied through adopting a gender lens to climate finance, adopting a climate lens to gender finance, and integrating gender into climate finance through gender-specific opportunities which also improves climate and business performance.



[Read more on information on JC3 Report](#)

ARTICLE 3

[Read more on media release 'SC holds inaugural capital market green financing series – widening access to sustainable financing for MSMEs'](#)

NAVIGATE
Capital Market Green Financing Series

**CAPITAL MARKET GREEN
FINANCING SERIES**

In February 2021, the SC launched NaviGate: Capital Market Green Financing Series, a programme to create greater awareness and connectivity between green companies and the capital market.

The first edition of NaviGate, held virtually in February 2021, focused on MSMEs and the alternative capital market financing avenues available through ECF and P2P financing. A total of 100 participants and 40 MSMEs from the green technology and sustainable energy sectors in Malaysia participated in the programme which connected them to the ECF and P2P financing platforms.

NaviGate demonstrates the SC's continued emphasis in fostering capital market inclusivity and in facilitating the acceleration of the SRI agenda for the Malaysian capital market, complementing the initiatives undertaken by CMM.

The inaugural session was supported by the Malaysian Green Technology and Climate Change Centre (MGTC) and Sustainable Energy Development Authority (SEDA).

The second NaviGate event was held in May 2021, which focused on companies with larger financing needs to finance their green and sustainable projects through the issuance of SRI Sukuk and ASEAN-labelled Bonds. It aimed to create greater awareness on SRI through the various capital market funding avenues as well as encourage greater connectivity between green and sustainability-focused companies and the capital market.

Organised by CMM and supported by Bank Pembangunan Malaysia Bhd and Danajamin Nasional Bhd, the second event was attended by more than 200 participants.

DEEPENING THE ISLAMIC CAPITAL MARKET

The SC continued to strengthen ICM's value proposition through widening access to Shariah-compliant funding, instilling greater impetus for Islamic social finance, and encouraging Islamic fintech growth.

Widening Access to Shariah-Compliant Funding

Facilitating Shariah-compliant financing for unlisted MSMEs

To facilitate a conducive funding ecosystem within ICM and advance the development of market-based financing avenues to support the Halal economy, the SC introduced a *Shariah Screening Assessment Toolkit for the Unlisted Micro, Small and Medium Enterprises* (Toolkit). The Toolkit provided guidance in screening

the Shariah status of unlisted MSMEs for ECF and P2P financing platform operators and Shariah advisers, among others.

With the launch of the Toolkit, it is envisaged that unlisted MSMEs will have wider options to access Shariah-compliant financing via ECF and P2P financing platforms. At the same time, it would also provide greater opportunities for investors seeking diversified Shariah-compliant investment portfolios across asset classes and economic sectors.

The Toolkit included a series of assessment questions based on the Shariah screening methodology for unlisted MSMEs, endorsed by the SC's Shariah Advisory Council (SAC).

The Shariah screening methodology adopts a two-tiered quantitative approach in determining the Shariah status of unlisted MSMEs. (Figure 1)

FIGURE 1

THE SHARIAH SCREENING METHODOLOGY FOR UNLISTED MSMEs

Business Activity Benchmarks

The contribution of Shariah non-compliant activities to revenue and profit before taxation is to be computed and compared against the relevant business activity benchmarks, both of which must be less than the benchmarks.

5%
benchmark

20%
benchmark

Financial Ratio Benchmarks



Cash over total assets

Cash only includes cash placed in conventional accounts and instruments. To be classified as Shariah-compliant, this ratio must be less than 33%.



Debt over total assets

Debt only includes interest-bearing debt. To be classified as Shariah-compliant, this ratio must be less than 49%.

The Toolkit was launched at the inaugural SC-HDC Forum 2021, themed 'Enabling Growth through the Islamic Capital Market' on 5 August 2021, to raise awareness on Shariah-compliant market-based financing for MSMEs.



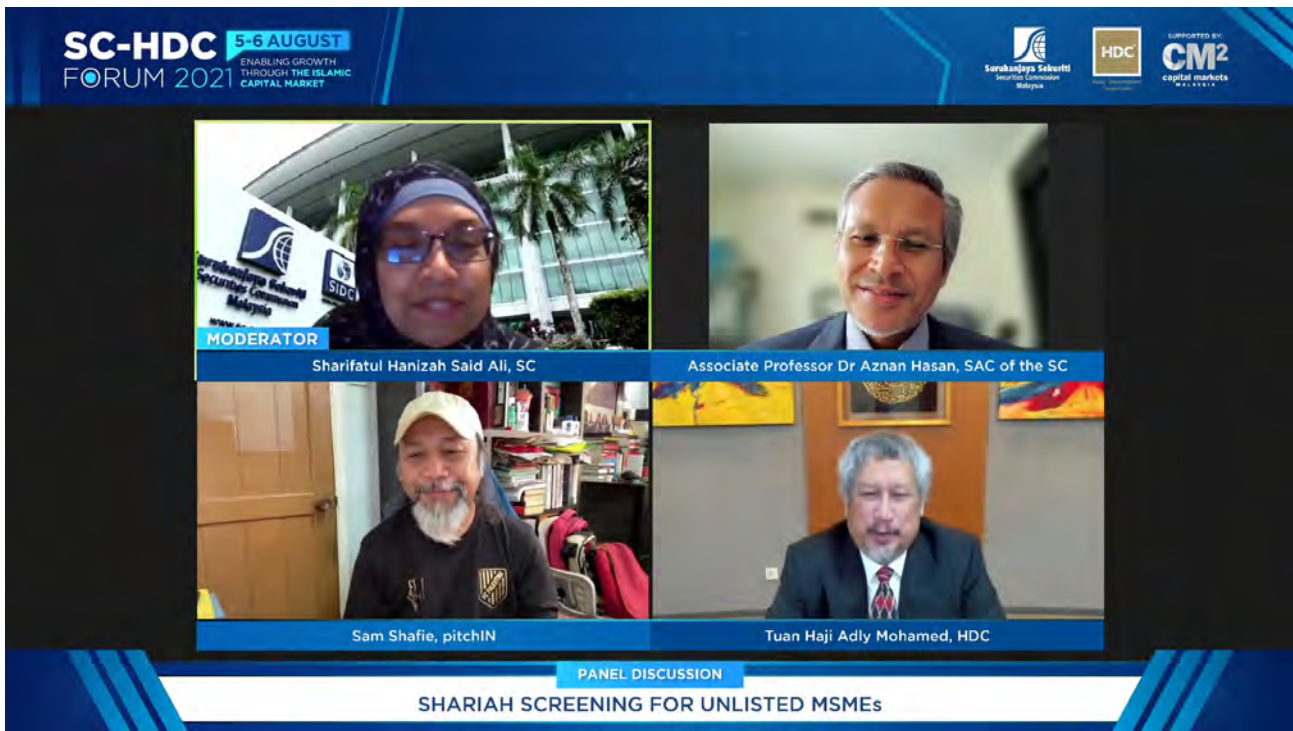
[Read more on media release on 'SC and HDC CO-HOST Inaugural Forum on Shariah-Compliant Fundraising for MSMEs'](#)



[Read more on Resolutions of the Shariah Advisory Council of the SC](#)



[Read more on the Shariah Screening Assessment Toolkit](#)



THE FIKRA ISLAMIC FINTECH ACCELERATOR PROGRAMME

FIKRA is a joint initiative by the SC and the UN Capital Development Fund (UNCDF). The objective of FIKRA is to further enhance the ICM ecosystem by identifying and scaling innovative fintech solutions in Malaysia. FIKRA connects innovative start-ups through a collaborative environment for mentors, investors, and industry enablers, along with relevant regulatory guidance, primarily through a three-month accelerator programme. FIKRA also focuses on helping position ICM as an attractive segment for building career by creating a talent pipeline through increased awareness of opportunities in Islamic fintech.

The FIKRA accelerator programme included structured support to selected participants such as curated sessions, masterclasses, mentoring, and linkages with industry enablers for solution co-creation and testing, as well as solution showcase opportunities. Further, continued post-accelerator tracking and networking opportunities were provided for the participants.

FIKRA invited participants with ideas or solutions that can address any of FIKRA's three key challenge areas, namely, new ICM offerings, access to ICM and social finance integration.

The launch of FIKRA on 25 May 2021 called for applications with value propositions addressing the three key challenge areas. A total of 66 applications were received from 15 countries, with applicants having business operations in more than 40 countries across the world. More than half of the applicants were aged below 40 years. Further, more than 60% of proposed solutions integrated Islamic social finances into financial services activities, utilising benevolent and social funds to support a more inclusive financial industry.



[Refer to FIKRA on the SC website](#)



[View videos of the FIKRA Launch](#)

There were more than 10 collaborations and partnered-solution explorations between FIKRA participants and industry partners, following the completion of FIKRA in December 2021.



Suruhanjaya Sekuriti
Securities Commission
Malaysia

UN
CDF
Unlocking Public and Private
Finance for the Poor

**FIKRA ACCELERATOR
PROGRAMME PARTICIPANTS**



CHALLENGE AREAS



New Islamic Capital Market Offerings

Ideas on new Shariah products or services for ICM that can deliver the value propositions of Islamic Finance.



Access to Islamic Capital Market

Solutions to increase awareness & relevance of ICM in addressing financing gaps, sustainability agenda and inclusion for mass retail & MSME segments.



Islamic Capital Market – Social Finance Integration

Tech solutions to integrate traditional Islamic Social Finance instruments into capital market.

Increasing Shariah-compliant offerings via ECF and P2P financing markets

The Islamic ECF and P2P financing markets continued to provide MSMEs with an alternative and viable option for Shariah-compliant financing. The amount raised through Islamic ECF and P2P financing markets grew significantly in 2021 to RM225.9 million (2020: RM1.5 million), benefitting 136 MSMEs.

Further, as at 31 December 2021, the number of platform operators with options to offer Shariah-compliant financing to the various segments of MSMEs had increased to six, compared to four in the previous year.

Driving Islamic Social Finance

Promoting Islamic social finance via Waqf-Featured Fund Framework

The launch of the Waqf-Featured Fund Framework (WQ-FF) in November 2020 had facilitated the offering of unit trust funds and wholesale funds with *waqf* features that integrate commercial and social objectives. The WQ-FF provided investors with opportunities to invest and participate in products that could deliver sustainable benefits for society. As at 31 December 2021, four funds were issued under the WQ-FF.



[Read more on the list of approved funds](#)



[Read more on Fund Management & Products](#)

Furthering thought leadership via SC-OCIS Roundtable

Since its inception in 2010, the annual SC and Oxford Centre for Islamic Studies (OCIS) Roundtable (SC-OCIS Roundtable) continues to stimulate discussion and discourse on Islamic finance to facilitate the developmental agenda for the ICM.

The 12th SC-OCIS Roundtable was organised virtually on 23-24 September 2021, with the theme 'Transforming Islamic Finance through Impact Finance and Social Agenda – Based on Maqasid Al-Shariah'. The Roundtable was graced by His Royal Highness Sultan Nazrin Muizzuddin Shah, Sultan of Perak and the Royal Patron for Malaysia's Islamic Finance Initiative, who delivered a special keynote address.

Attended by a select group of 60 delegates from across the globe, the discourse revolved around the need for a new social contract and how Islamic finance can be a beacon to lay the foundations for a new balanced market-based system and greater social objectives. The discussion also delved into the Fourth Industrial Revolution, how innovation in science and technology could reconcile the debt-based economy and drive better funding solutions in achieving the core virtues and values of Islamic finance.

Strengthening Shariah Governance Framework

As part of efforts to strengthen the ICM Shariah Governance Framework, the SC revised the *Guidelines for Shariah Advisers*, ensuring that the framework remained adaptive to respond to market developments.

The revised framework, among others, required Shariah advisers to enhance their knowledge and expertise on capital market developments.

As at end December 2021, a total of 81 Shariah advisers, comprising individuals and corporations were registered with the SC.



[Read more on Guidelines for Shariah Advisers](#)

Continuous Efforts to Recognise and Develop Thought-Leadership and Capabilities

Royal Award for Islamic Finance

The Royal Award for Islamic Finance (The Royal Award) was first established in 2010 as a joint initiative by the SC and BNM to recognise outstanding and inspiring individuals who had contributed significantly to the advancement of the Islamic financial services industry.

The global nominations for The Royal Award 2022 opened in December 2021 until March 2022 with the introduction of two new categories to further promote the development of Islamic finance globally, namely the Emerging Leader Prize and the Impact Challenge Prize. The new categories will serve to recognise young international talent with outstanding contributions to the advancement of Islamic finance and innovative ideas and solutions that can enable and empower impacted communities globally.



[Further information on all categories, including global nominations and challenge applications](#)