annual report 2020

Suruhanjaya Sekuriti
Securities Commission
Malaysia

Securities Commission Malaysia

ANNUAL REPORT 2020

Securities Commission Malaysia

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TO PROMOTE AND MAINTAIN FAIR, EFFICIENT, SECURE AND TRANSPARENT SECURITIES AND DERIVATIVES MARKETS AND TO FACILITATE THE ORDERLY DEVELOPMENT OF AN INNOVATIVE AND COMPETITIVE CAPITAL MARKET

Chairman's Message

On behalf of my fellow board members of the Securities Commission Malaysia (SC), it is with great pleasure that I present the SC's *Annual Report* for the year 2020.

The Malaysian capital market weathered a tumultuous 2020, when a global health contagion had severe repercussions for the world's economic health. This unprecedented period brought forth trends that will likely alter the future landscape of the market. Events during the year underscored to the SC and all our stakeholders, the benefits of remaining accessible and open, and staying agile and resilient, as we navigated through a difficult, unfamiliar and treacherous environment.

In a year marked by business disruptions, the SC was able to respond swiftly to market and commercial needs and ensure the capital market remained accessible, agile and accountable (the '3As'). The SC channelled its resources in 2020 to focus on deploying sustained and facilitative regulatory actions to ease evolving market pressures, manage market and operational risks, protect vulnerable investors, accelerate digitisation of the capital market and widen opportunities in key and emerging market segments.

Facilitating Business and Market Continuity

As pandemic containment measures were imposed in March 2020, various regulatory reliefs were rolled out to facilitate business continuity and maintain market operations. This ensured the capital market continued to perform its fundamental role as an avenue for fundraising and mobilisation of savings.

Relief measures granted to public-listed companies (PLCs) include extension of time for ongoing corporate reporting obligations and revision of criteria for classification of affected listed issuers.

Waivers on listing related fees as well as flexibilities for rights issuances, corporate bonds and sukuk and structured products facilitated continued corporate and fundraising activities. Interest for equity and bond issuances remained encouraging in 2020 with total funds raised of RM114.6 billion.

In April 2020, the SC issued a guidance note to facilitate the conduct of fully virtual shareholders' meetings. Listed companies were also encouraged to use online or hybrid approaches when engaging in take-over and merger activities.

Brokers were given flexibility to provide temporary relaxations to investors on margin financing requirements and expansion of eligible collateral, while penalty-free early withdrawals from private retirement scheme (PRS) accounts was extended to PRS contributors under the Government's *PENJANA* initiative.

Maintaining Market Stability and Managing Risks

Volatile market movements in 2020 called for closer monitoring of potential systemic risks across markets and intermediaries. Risk mitigation efforts were enhanced through increased regulatory co-ordination and information sharing with Bank Negara Malaysia (BNM), Bursa Malaysia and our international counterparts.

To ensure that intermediaries remain resilient, our supervisory efforts were focused on the robustness of capital adequacy, risk management controls and contingency plans. This includes enhanced supervision of recognised market operators (RMOs) and liquidity risk management of investment funds. The resilience of the domestic fund management industry was reflected by the growth in total assets under management (AUM) to RM905.5 billion.

The SC also employed enhanced stress testing and heightened monitoring of PLCs and corporate bonds as asset price adjustments demanded more frequent risk assessments on the stability of market infrastructure and key market segments.

Despite higher volatility levels, our markets were kept open and operated as usual to support capital flows and the real economy. In order to ensure the stock market continued to operate in a fair and orderly manner, revisions were made to the exchange's dynamic and static price limits and circuit breakers, and short selling activities were suspended.

Overall, given the market environment, it is gratifying to note that the total capital market has expanded by 7.0% to RM3.4 trillion.

Despite higher volatility levels, our markets were kept open and operated as usual to support capital flows and the real economy.

Protecting Vulnerable Investors

Market uncertainties during the pandemic saw a rise in activities such as illegal investment schemes and clone firms, which if left unchecked, would cause harm to vulnerable investors. A special taskforce was established within the SC to focus resources in investigating these schemes and to take necessary enforcement actions. Various anti-scam awareness campaigns were launched under the SC's InvestSmart® platform, to constantly remind investors to exercise caution before investing in schemes offered on social media and messaging platforms.

Improved retail participation in the stock market was evident with local retail investors making up 32.4% of total value traded, significantly higher than the 5-year average. In order to ensure informed retail investing and given the circumstances, InvestSmart®'s initiatives continued online throughout 2020. Its flagship event, InvestSmart® Fest, was held virtually and attracted 9,000 visitors.

The SC continued to push ahead our efforts to promote good corporate governance with the issuance of guidelines that enabled the SC to enforce measures against breach of fiduciary duties by PLC directors. Intermediaries were also required to implement whistle-blowing and anti-corruption measures while auditors were reminded of the need to deliver high quality audit work and services.

Although there was some delay in investigation and ongoing court cases during the lockdown period, we continued to identify and sanction harmful conduct through proportionate and targeted enforcement actions. Criminal convictions were secured with fines totaling RM5.8 million. More than RM3.8 million was restituted to affected investors through civil action and 16 individuals were barred from becoming PLC directors.

Administrative sanctions were also imposed for various breaches of securities laws and guidelines.

Broadening the Capital Market's Digital Embrace

The SC's Digital Agenda for the capital market gained momentum as the necessity for reduced physical contact shifted many services and activities online. Digital Investment Management (DIMs), digital asset exchanges (DAX), and other online service providers and platforms attracted new investors with a corresponding increase in new account openings and transactions.

The roll-out of remaining measures under the Brokerage Industry Digitisation Group (BRIDGe) provided the much needed process enhancements for better online experience. The Fund Management Industry Digitisation Group (FMDG) identified client onboarding and provision of fund services as key areas for digitisation.

In 2020, guidelines to regulate Initial Exchange Offerings (IEO) and Digital Asset Custodians (DAC) were issued. An encouraging development for digital assets was the Shariah Advisory Council's (SAC) ruling on the permissibility of investment and trading of digital currency and digital tokens. A secondary trading framework for equity crowdfunding (ECF) and peer-to-peer financing (P2P) was also launched to provide investors with an exit mechanism, while Budget 2021 tax exemptions are expected to spur individual investor participation in ECF.

In terms of online channels, amended guidelines facilitated the wider distribution of capital market products through e-Services platforms. This complemented the release of guidelines that provided flexibilities to advertise capital market products and services through digital channels. An MOU with Indonesia's Otoritas Jasa Keuangan (OJK) was also sealed to expand the SC's regional collaboration on the development of financial technology (fintech).

Enhancing Market Diversity and Opportunities

Notwithstanding economic and operational disruptions, measures to enhance market diversity and resilience continued during the year to provide intermediaries greater opportunities in product and service offerings.

Fund liberalisation measures for wholesale funds and PRS were introduced to meet investor demand for greater diversity in fund structures and asset types. The government also extended the individual tax relief on PRS and stamp duty exemption for exchange-traded funds (ETFs) to facilitate further flows into investment funds.

The SC continued to expand the scope of advice that can be offered by financial planners to include stocks and bonds while licensed representatives were permitted to offer discretionary trading services.

Product approval processes were also streamlined to improve time and cost efficiencies for Main Market initial public offerings (IPOs) and retail feeder funds.

Strengthening SRI and the Islamic Capital Market Ecosystem

The sustainability agenda attained greater prominence in 2020, compelling businesses to re-examine their commitment to environmental, social and governance (ESG) values.

Implementation of the SC's *Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market* (SRI Roadmap) centered on creating a facilitative ecosystem for SRI products and investments. This included the establishment of the Malaysian Sustainable Finance Initiative (MSFI), the Centre for Sustainable Corporations and a dedicated SRI Centre within the Bond+Sukuk Information Exchange (BIX).

The Grant Scheme that was set up to offset external review costs for issuers was expanded to cover all sukuk under the SRI Sukuk Framework, as well as all bonds under the three ASEAN Bond Standards. It was accordingly renamed, the SRI Sukuk and Bond Grant Scheme. The income tax exemption for grant recipients was also extended.

In order to advance social finance, especially through wider offerings of Shariah-compliant solutions, an innovative framework to facilitate funds with waqf features was issued.

Implementation of the SC's *Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market* (SRI Roadmap) centered on creating a facilitative ecosystem for SRI products and investments.

Priorities for 2021

As we expect a prolonged post-pandemic recovery, the economic and market environment ahead will remain challenging. Perseverance and resilience are needed as we journey to a new normal, as uncertainties and risks to recovery will influence market sentiment.

In 2021, the SC will continue to focus on maintaining market integrity and promoting investor empowerment. This includes greater vigilance against any market misconduct and detection of unlicensed activities.

The SC's developmental priorities will include facilitating further market innovation and new business models, while enhancing the capital market's digital embrace and breadth of SRI and Islamic products and services. We will continue to widen access to alternative fundraising, to support emerging entrepreneurs and SMEs, including those in the halal and green industries.

The development of Islamic fintech is another area that the SC intends to explore with prospective market players.

In line with industry digitisation efforts, we will continue to strengthen our capabilities in the areas of advanced data analytics and machine learning, strategic communication and enforcement. Furthermore, as digital tools and services grow, promoting data governance and strengthening cyber resilience of licensed intermediaries will be another key area of focus for the SC.

Vulnerable investors, particularly the silver population and those in rural areas, will be at the core of our investor outreach programmes. We believe these initiatives will promote an inclusive capital market and reduce the impact of the digital divide.

The SC will also streamline conduct requirements for all market participants, which will include a review of the scope of investment advisory services and corporate governance practices for market intermediaries.

The commitment and unwavering support of the SC staff, my Executive Team, members of the SC Board and the SAC, have enabled the SC to continue its operations smoothly and fulfil its mandate, despite the challenges faced during the year. I would like to take this opportunity to thank them for their dedication and fortitude in discharging their duties. Equally pivotal was the commitment and co-operation from market intermediaries in ensuring the integrity and continued functioning of our capital market.

On a personal note, my heartfelt appreciation goes out to the many healthcare professionals and frontline personnel who have worked tirelessly to keep us safe during such an extraordinary period.

SYED ZAID ALBAR

HIGHLIGHTS
2020

HIGHLIGHTS 2020

Capital market size and fundraising

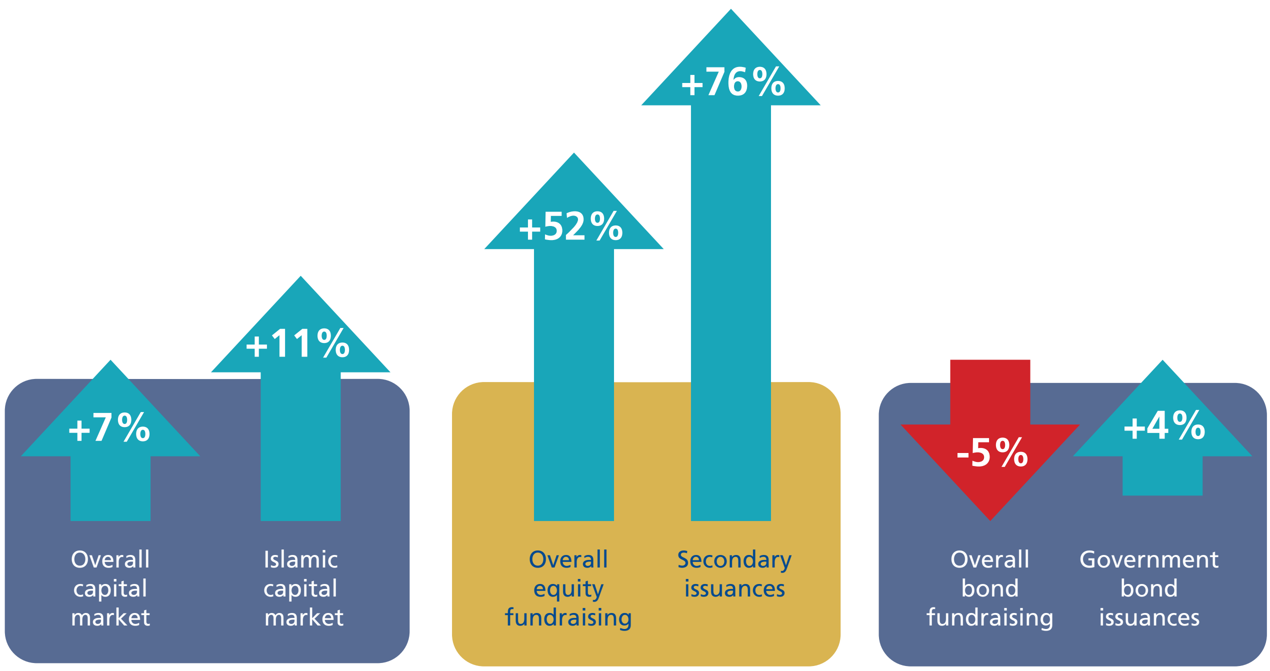
Key highlights

Total capital market grew by 7%, driven largely by Islamic capital market

Overall increase in equity fundraising, driven by secondary issuances

Overall bond fundraising declined, though impact cushioned by the increase in government bond issuances

Growth from 2019



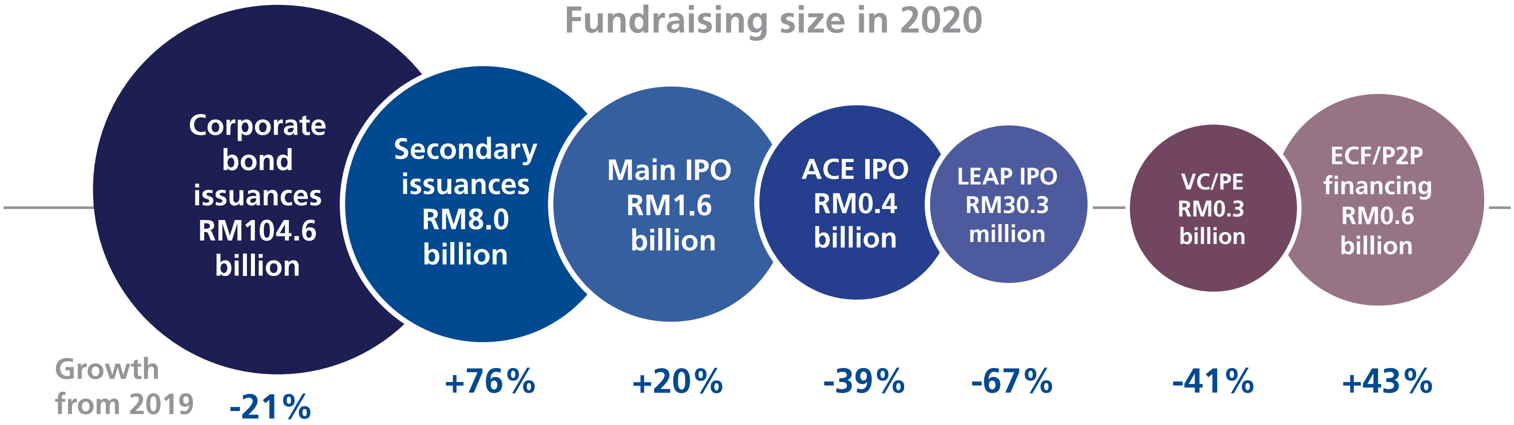
Size in 2020

RM3.4 trillion	RM2.3 trillion	RM10.0 billion	RM8.0 billion	RM366.7 billion	RM262.1 billion

Fundraising

Corporate bond issuances fell significantly in 2020. In contrast, equity fundraising performed better, where secondary issuances saw a strong growth of 76%, while primary issuances was mainly driven by Main Market IPO's 20% growth. Alternative fundraising saw mixed performance, with equity crowdfunding (ECF)/peer-to peer financing (P2P financing) recording high fundraising growth of 43% while venture capital (VC)/private equity (PE) recorded a 41% decline year on year (y-o-y).

Fundraising size in 2020



Alternative fundraising

Key highlights

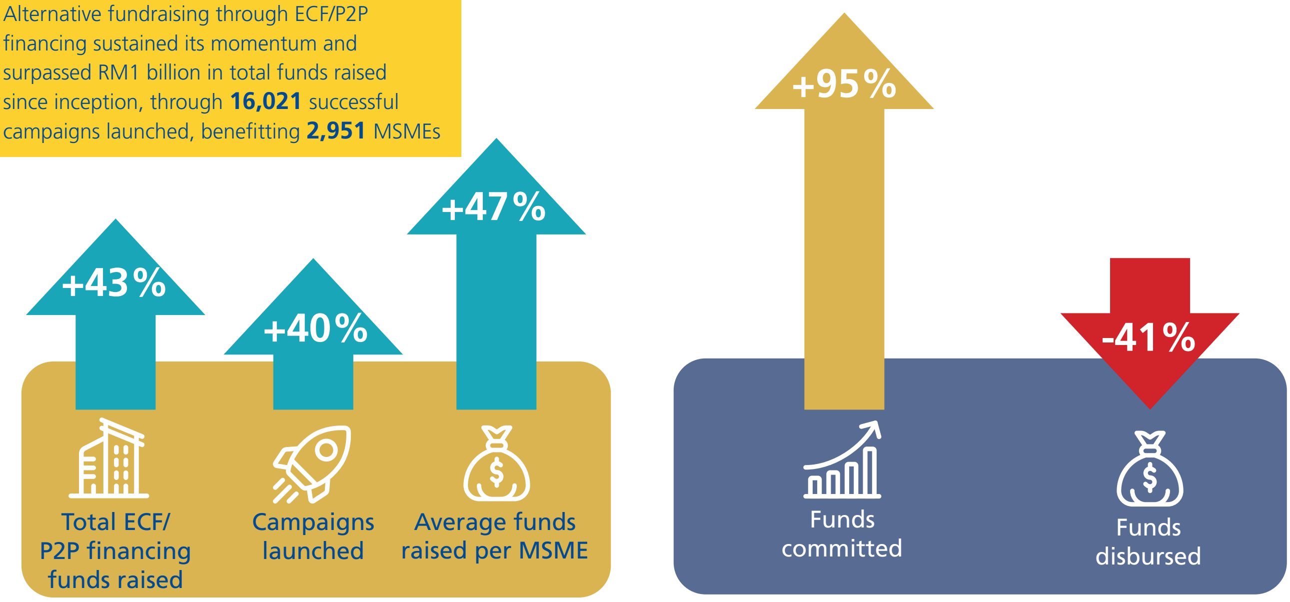
Continued growth in ECF/P2P financing despite the slowdown in economic activities, with record number of issuers raising funds on ECF platforms

Total committed funds saw substantial growth, despite significant decline in overall VC/PE investments

DID YOU KNOW?

Alternative fundraising through ECF/P2P financing sustained its momentum and surpassed RM1 billion in total funds raised since inception, through **16,021** successful campaigns launched, benefitting **2,951** MSMEs

Growth from 2019



Size in 2020

Total ECF/P2P financing funds raised	Campaigns launched	Average funds raised per MSME	Funds committed	Funds disbursed
RM0.6 billion	7,840 campaigns	RM450K	RM11.7 billion	RM0.3 billion

HIGHLIGHTS 2020

Fund management

Stable overall asset under management (AUM) growth of 10% in 2020, driven by Islamic AUM growth of 20%

Overall AUM growth 2020	Overall Islamic AUM growth 2020
+10%	+20%

Key highlights

2020 AUM growth contributed by strong performance in unit trusts and private retirement schemes (PRS)

Growth from 2019

	Overall AUM	Unit trust net asset value (NAV)	PRS NAV	Real estate investment trust (REITs) market capitalisation
Growth from 2019	+10%	+8%	+36%	-10%
Size in 2020	RM905.5 billion	RM519.5 billion	RM4.8 billion	RM39.3 billion

Sustainable and Responsible Investment

Strengthening Sustainable and Responsible Investment (SRI) fundamentals and enabling greater access to capital for SRI projects were the main focus in 2020

Establishment of Centres of Excellence (COEs) on sustainability for PLCs and intermediaries through Capital Markets Malaysia (CMM)

CENTRE FOR SUSTAINABLE CORPORATIONS

MSFI Malaysian Sustainable Finance Initiative

Introduction of SRI Centre in collaboration with Bond+Sukuk Information Exchange (BIX)

bix Bond+Sukuk Information Exchange

SRI Centre is a one-stop resource centre on SRI sukuk and ASEAN-labelled bonds in Malaysia for greater transparency and access to information by various stakeholders

Expanded Green SRI Sukuk Grant Scheme to cover:

- All sukuk issued under the SC's SRI Sukuk Framework
- Bonds issued under *ASEAN Green, Social and Sustainability Bond Standards*

BUDGET 2021

In November 2020, the government proposed to **extend tax exemptions** for the recipients of the grant for another five years from 2021 to 2025

HIGHLIGHTS 2020

Digital

Significant acceleration in digital adoption in the capital market across different digital platforms

>450k
Digital asset exchange (DAX) accounts opened to date across the three platforms

175k
New digital investment management (DIM) accounts opened in 2020, more than 8x accounts opened in 2019

249%
Growth in new trading accounts opened y-o-y in 2020 via online-only broker

3
New DIM companies licensed in 2020

2
New e-services platforms registered in 2020

Corporate Governance

Improved adoption of corporate governance best practices by public-listed companies (PLC)*

New adopters of *Step Up* Practices

78%
PLCs have adopted at least 1 Step Up practice in 2019
VS
74%
in 2018

112
PLCs adopted their first Step Up practice in 2019

Greater transparency in remuneration

37
PLCs disclosed detailed senior management remuneration on named basis in 2019
VS
32
in 2018

Total board remuneration of FBM 100 companies decreased by
11.7%

Board diversity continues to improve

165
PLCs with 30% or more women on boards in 2019
VS
145
in 2018

682
listed issuers have at least one woman director on the board
VS
634
in 2018

Adopters of the two-tier voting process

181
PLCs used two-tier voting process to vote on retention of independent directors with tenure >12 years in 2019
VS
164
in 2018

41
PLCs adopted the two-tier voting for the first time in 2019

Continued emphasis on improving the culture of corporate governance…

Introduction of a new *Annual General Meeting Corporate Governance Checklist for Shareholders*

Establishment of the Corporate Governance Council

Ranked 5 out of 12 Asia Pacific markets in the *Corporate Governance Watch 2020* assessment – with improvements in 4 out of 7 categories

While strengthening the resilience of the capital market against corruption

Implementation of the National Anti-Corruption Plan (2019-2023)

- ✓ Issued *Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries*
- ✓ Implemented the SC's Organisational Anti-Corruption Plan (OACP)
- ✓ Completed supervisory assessments on 255 intermediaries on implementation of the corporate liability provision in the *Malaysian Anti-Corruption Commission Act 2009* (MACC Act)

* The *Corporate Governance Monitor 2020* reports on the adoption of the MCCG by listed companies based on the disclosures made in their Corporate Governance Reports 2019.

HIGHLIGHTS 2020

Enforcement

Key highlights

Greater sum restituted to investors

RM3.9 million
Restitution sum paid in 2020

VS

RM1.3 million
in 2019

Greater focus on fraud, misconduct and unlicensed activities

56%
Cases investigated in 2020

VS

33%
in 2019

Greater use of alternative enforcement tools for swift actions

RM1.2 million
Compound imposed on 4 individuals in 2020

VS

RM0.2 million
in 2019

Historic settlement with Goldman Sachs of US$3.9 billion for securities fraud

Conviction in landmark trial involving the Transmile Group founder

SC'S PRIORITIES FOR 2021

Perseverance and resilience are needed as we journey to a new normal, as uncertainties and risks to recovery will influence market sentiment. In 2021, the SC will continue to focus on maintaining market integrity and promoting investor empowerment, facilitating market innovation and new business models, while enhancing the capital market's digital embrace and breadth of SRI and Islamic products and services.

PART 01 CAPITAL MARKET REVIEW AND OUTLOOK

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OVERVIEW

The world experienced an unparalleled public health emergency in 2020, triggering an economic shock across economies globally. Against this backdrop, the Malaysian capital market witnessed significant volatility but continued to remain orderly. More importantly, the domestic capital market continued to play its vital role in financing economic activity and intermediating savings despite the challenging environment. In terms of performance, both the domestic equity and bond markets registered encouraging returns for the year, with the former experiencing a notable shift in sentiments towards smaller to mid-cap companies, especially in the healthcare and technology sectors. Going forward, the Malaysian economy is expected to rebound in 2021, in tandem with a recovery in global demand. Although the domestic capital market will continue to be influenced by key global developments, it is expected to remain resilient and orderly, underpinned by Malaysia's strong macroeconomic fundamentals, ample domestic liquidity and supportive policy environment.

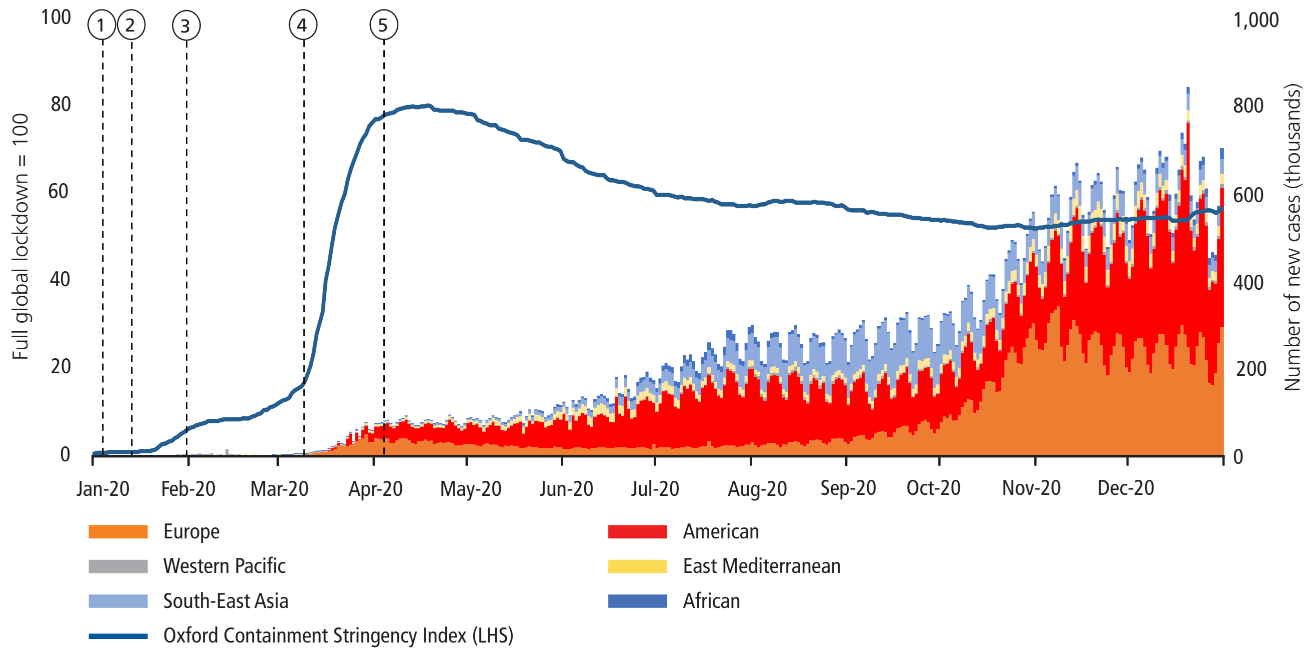
GLOBAL DEVELOPMENTS IN 2020

The global economy experienced one of the largest shocks in modern history in 2020. The emergence and rapid spread of COVID-19 at the beginning of the year threatened to overwhelm public health systems, contending with rising infection rates and death tolls in many parts of the world. To avert a public health disaster, governments in both advanced and emerging economies implemented strong containment measures, triggering concurrent supply and demand shocks across the globe.

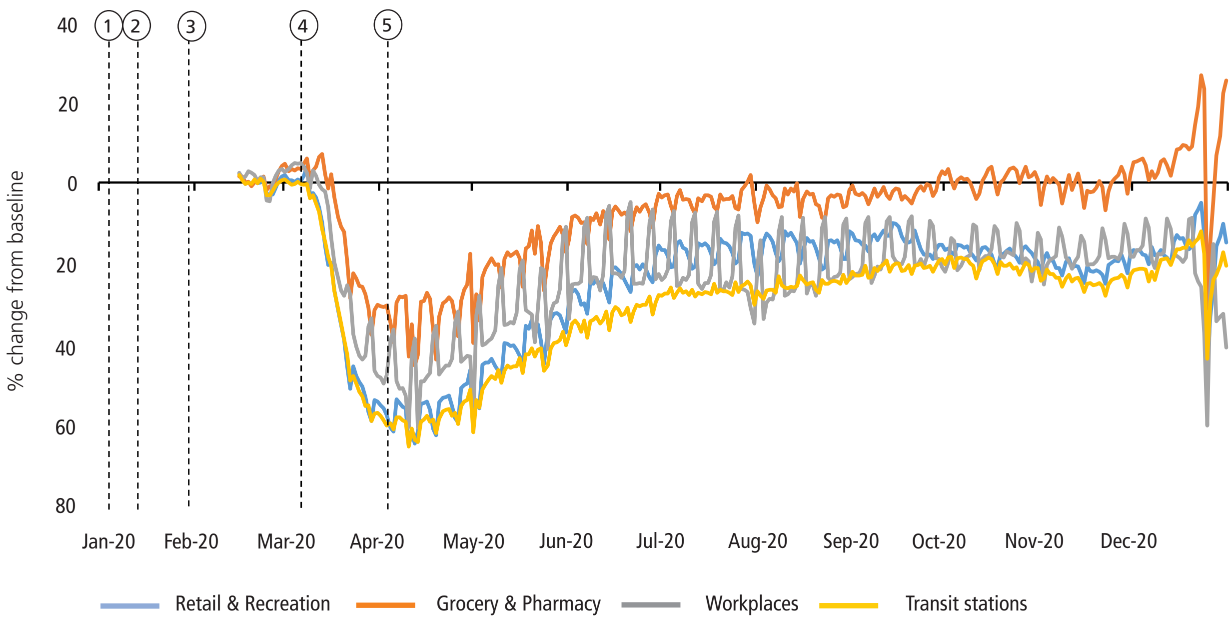
CHART 1

Strict worldwide containment measures contributed to concurrent supply and demand shocks, which led to the sharp decline in economic activity

Daily new COVID-19 cases by region vs Oxford Containment Stringency Index[1]



Google COVID-19 Community Mobility Report - Global Aggregate[2]



Note: Vertical dashed line indicates; 1) China informed WHO on the cluster of viral pneumonia of unknown cause in Wuhan; 2) First recorded case outside China in Thailand; 3) WHO declared coronavirus as Public Health Emergency of International Concern; 4) WHO declared COVID-19 as pandemic; 5) WHO reported more than 1 million cases worldwide, tenfold increase in less than a month.

[1] Simple average of Containment Stringency Index for all countries covered by Blavatnik School of Government, University of Oxford.
[2] Simple average across all countries covered by Google COVID-19 Community Mobility Reports; Index shows change in mobility relative to baseline corresponding to the median value of the same day during the five-week period between 3 January and 6 February 2020.

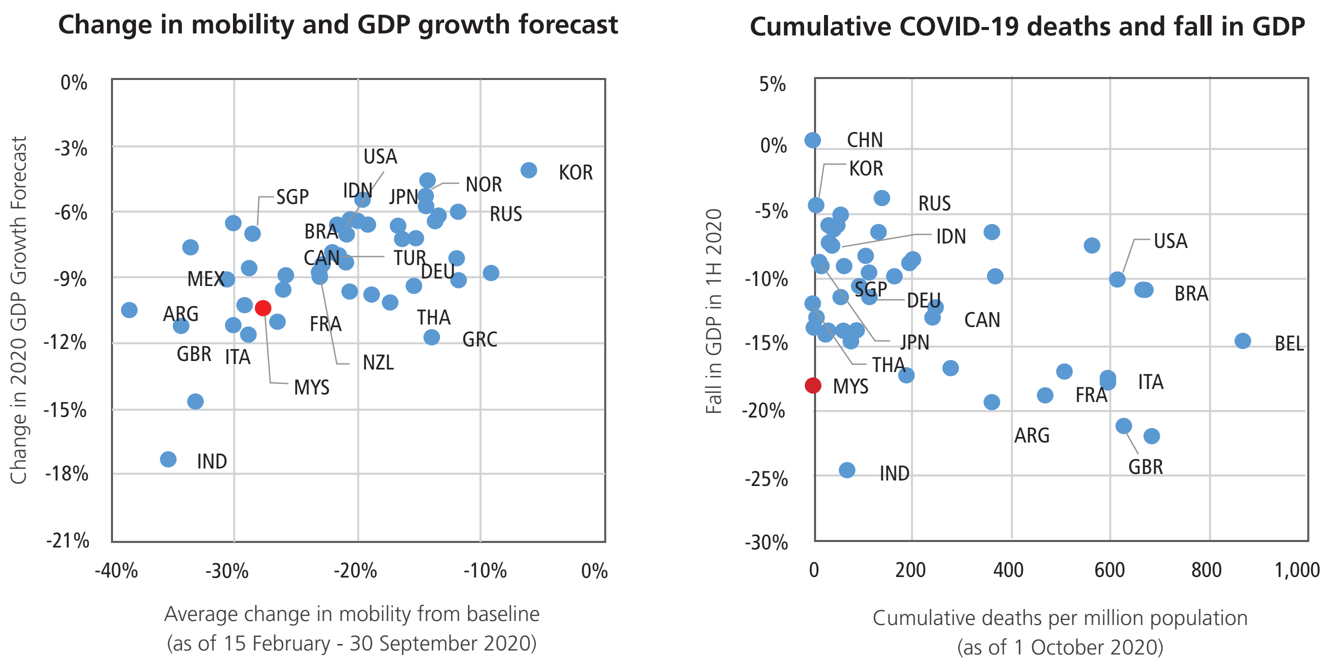
Source: CEIC; Oxford COVID-19 Government Response Tracker, Blavatnik School of Government; Google COVID-19 Community Mobility Report; SC's calculations

This simultaneous introduction of strict containment measures worldwide resulted in a sudden stop in economic activity through March and April 2020, which led to a substantial downgrade in growth expectations. The International Monetary Fund (IMF), in June 2020, forecasted a global gross domestic product (GDP) contraction of -4.9% for the year 2020, down by 8.2 percentage points from its January 2020 forecast and certainly worse than the -0.1% contraction in 2009. Unlike previous economic crises where the financial sector had typically been the catalyst, this downturn began from a health policy-induced crisis in the real economy.

Based on the assessment of the IMF then, more than 85% of global economies would record sub-zero growth in 2020, significantly more than during the Global Financial Crisis (GFC) in 2007-2009, leading to the worst peacetime contraction in global output since the Great Depression of the 1930s. Although some countries initially suffered larger economic contractions due to more stringent containment measures, those that were unable to manage the pandemic eventually suffered greater economic pain, recovering more slowly and recording more deaths over time.

CHART 2

Economic activity fell more where containment measures were stronger; countries that were unable to control their outbreaks suffered the most economic pain



Source: Google COVID-19 Community Mobility Report; IMF World Economic Outlook Database, October 2019 and October 2020; OECD database; WHO COVID-19 Dashboard; SC's calculations

Global financial markets were affected by the sharp worsening of the growth outlook and heightened uncertainties surrounding the pandemic. This resulted in a significant increase in volatility and led to a subsequent sell-off across a wide range of assets amid worsening global financial conditions. Ongoing US-China tensions also added to the volatility in global financial markets especially in 2H 2020.

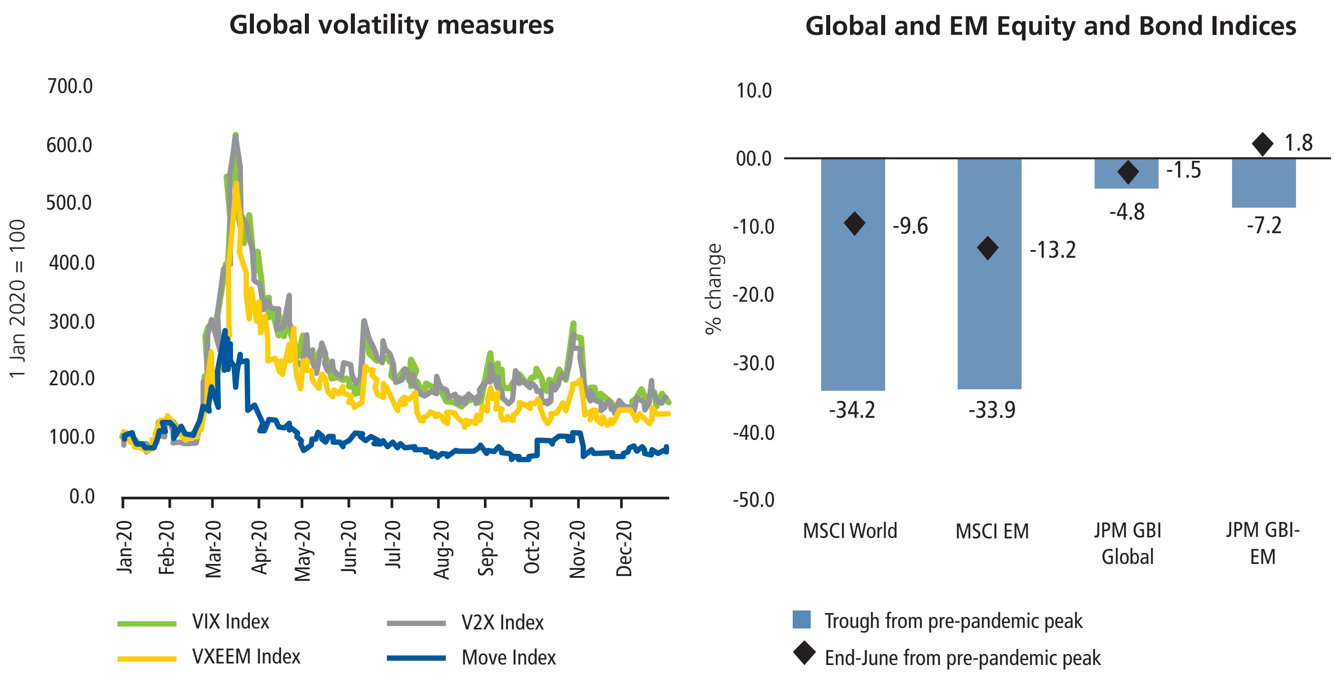
The initial flight to safe-haven assets eventually turned into a hunt for cash in mid-March 2020, culminating in a simultaneous fall in equity prices and a spike in bond yields. Gold prices surged on continued safe-haven flows, while other commodities declined on weakened demand prospects. To this effect, Brent crude oil touched an 18-year low in early March 2020, exacerbated by the temporary breakdown of the Organisation of the Petroleum Exporting Countries+ (OPEC+) coalition. The US benchmark West Texas Intermediate (WTI) near-term oil futures even witnessed a brief dip into negative territory in April 2020 due to the supply overhang.

In addition to the toll on health and decline in domestic economic activity, emerging market economies (EMEs) had to contend with the loss of economic activity from weakened foreign demand, sharp falls in commodity prices and reduction in capital flows.

As such, outflow pressures intensified considerably even as financing needs increased. The Institute of International Finance (IIF) estimated that US$80 billion of capital was withdrawn from EMEs in March 2020 alone, the largest single month of capital outflows on record.

CHART 3

Implied volatility in financial markets surged to a record, while equity and bond markets significantly fell during the height of the COVID-19 crisis

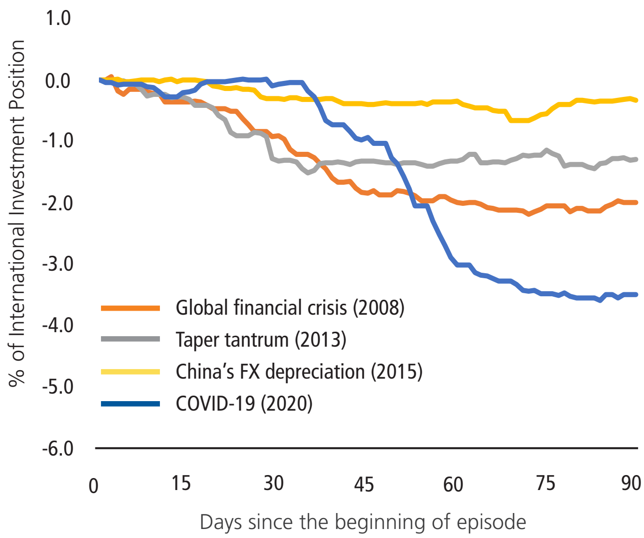


Source: Thomson Reuters Datastream; SC's calculations

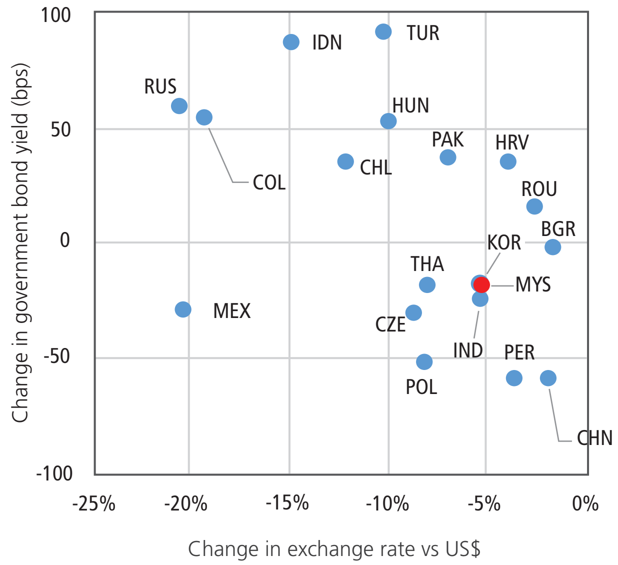
CHART 4

Emerging market economies experienced unprecedented portfolio outflows, leading to sharp depreciation of their respective currencies

Cumulative portfolio flows to EM (equity and local currency bonds)



5Y generic local currency government bond yields and exchange rate movements (1 January - 31 March 2020)

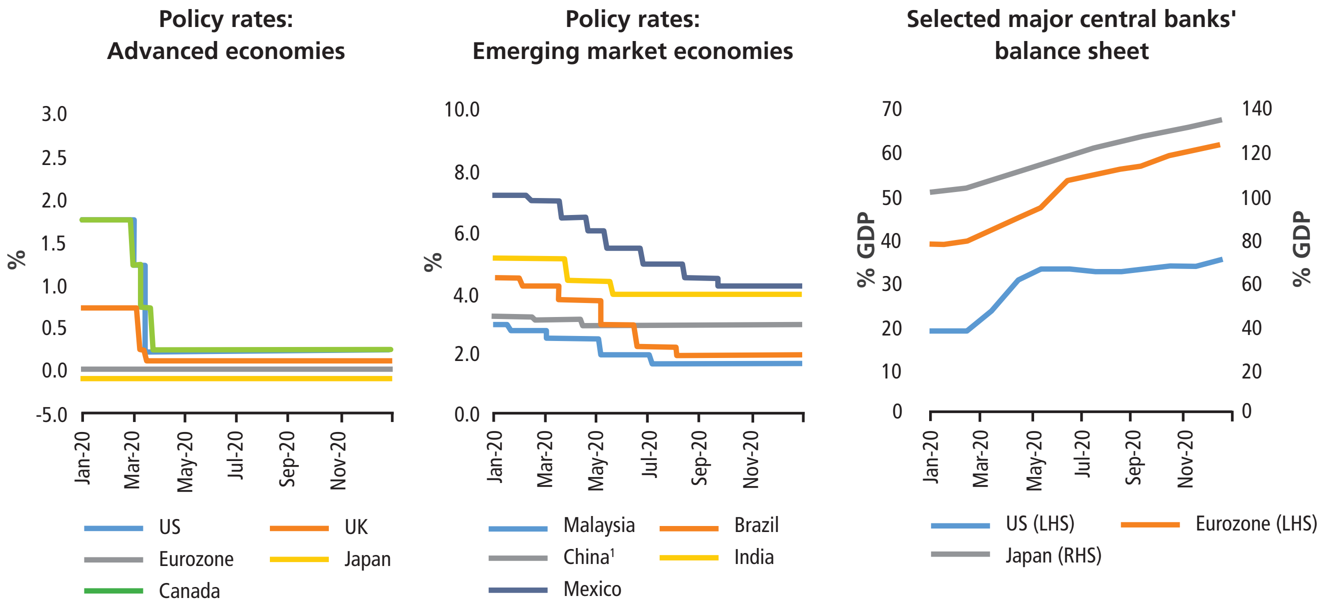


Source: The Institute of International Finance (IIF); IMF; Bloomberg; SC's calculations

Given the shock's unprecedented scale, the policy responses were swift and aggressive across both advanced economies (AEs) and EMEs, well beyond those adopted during the GFC. Central banks reacted promptly both in terms of speed and scale, cutting benchmark interest rates to record lows and implementing unconventional monetary policy measures. Some central banks also chose to provide direct financial lifelines to vulnerable groups, either via direct debt purchases or by providing backstops to banks via funding-for-lending initiatives, especially for small and medium enterprises (SMEs). Despite having lesser room to manoeuvre, central banks in EMEs also reacted in a similar fashion, cutting policy rates aggressively, and in some countries, embarking on asset purchase programmes for the first time.

CHART 5

Central banks reacted swiftly alongside the utilisation of unconventional monetary policy measures



Note:
[1] Medium-term lending facility rate, one-year.

Source: Bloomberg; SC's calculations

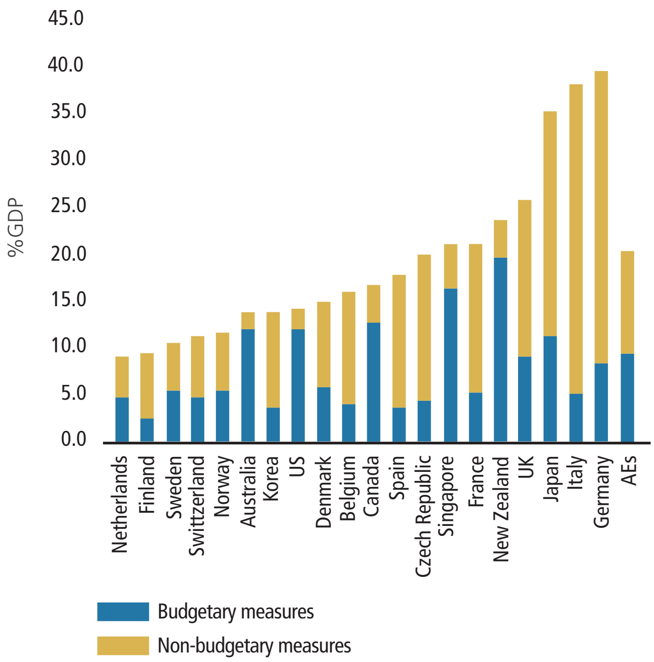
Likewise, fiscal authorities worldwide unveiled unprecedented amounts of stimulus packages, estimated at US$12 trillion as of September 2020 or close to 12% of GDP, according to the IMF.

The size and composition of fiscal support, however, varied vastly across countries. A continued decline in long-term interest rates aided by central banks' actions, especially in the AEs and large EMEs facilitated the massive fiscal response.

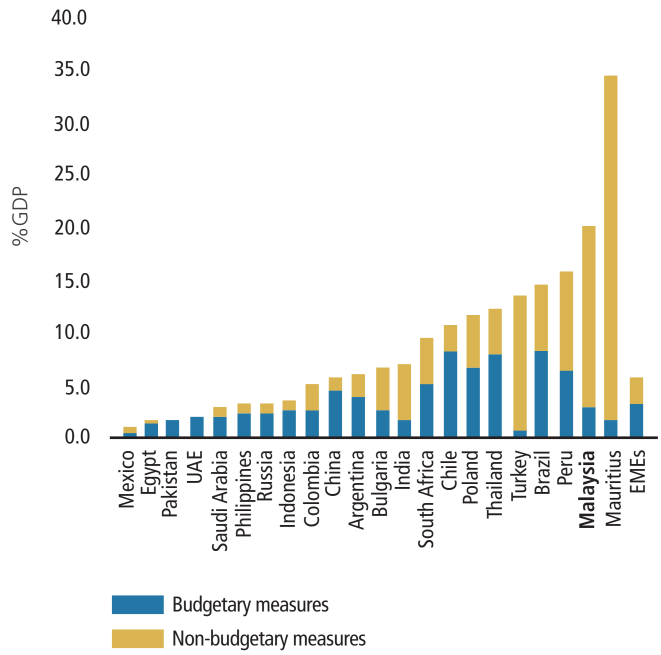
CHART 6

Fiscal authorities responded with large stimulus packages

Pledged fiscal packages: Advanced economies



Pledged fiscal packages: Emerging market economies



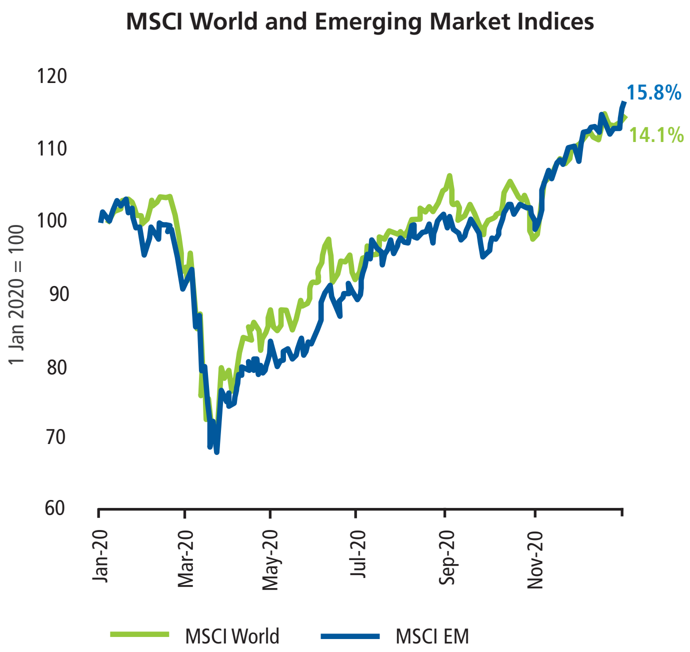
Source: IMF Global Fiscal Monitor, October 2020

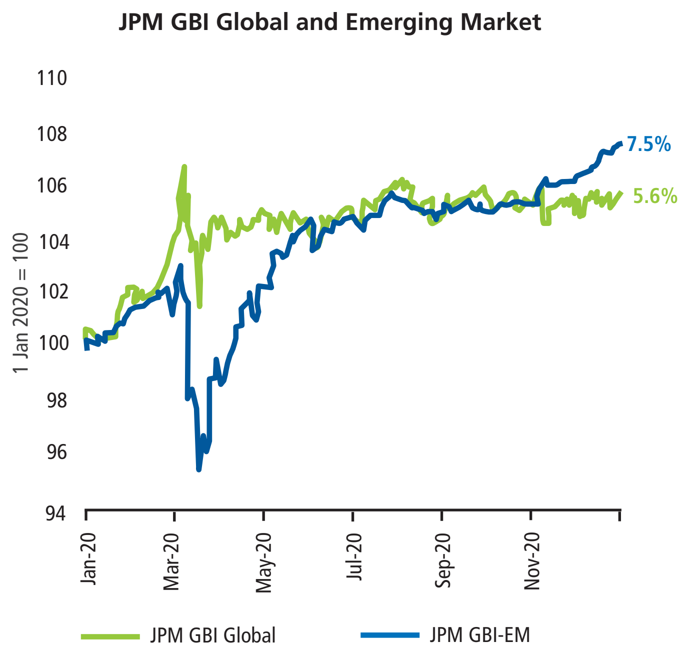
These supportive global policy actions alongside the resumption of economic activities with the easing of lockdowns in April-May 2020, although remaining uneven, contributed to broadly easier global financial conditions and improved investor confidence. Despite occasional escalations in US-China tensions, financial market volatility subsequently declined, accompanied by a surge in asset prices. Equity prices ended the year at historical highs, especially in AEs despite differentiated performance across countries and sectors. MSCI World increased by 67.9% from a low of 1,602.11 points on 23 March 2020 to end the year 14.1% higher at 2,690.04 points (2019: 25.2%). Meanwhile, MSCI EM rose by 70.3% to 1,291.26 points on 31 December 2020 from its low on 23 March 2020, an increase by 15.8% from a year earlier (2019: 15.4%).

Similarly, bond yields were significantly lower from their peaks in March 2020, while credit spreads continued to tighten. JP Morgan Government Bond Index (GBI) rose 5.6% from the beginning of year 2020 (2019: 6.1%), while GBI EM gained 12.5% from its low on 19 March 2020, an increase by 7.5% from a year earlier (2019: 12.9%).

CHART 7

Global equities and bonds rebounded swiftly despite continued volatility throughout the year



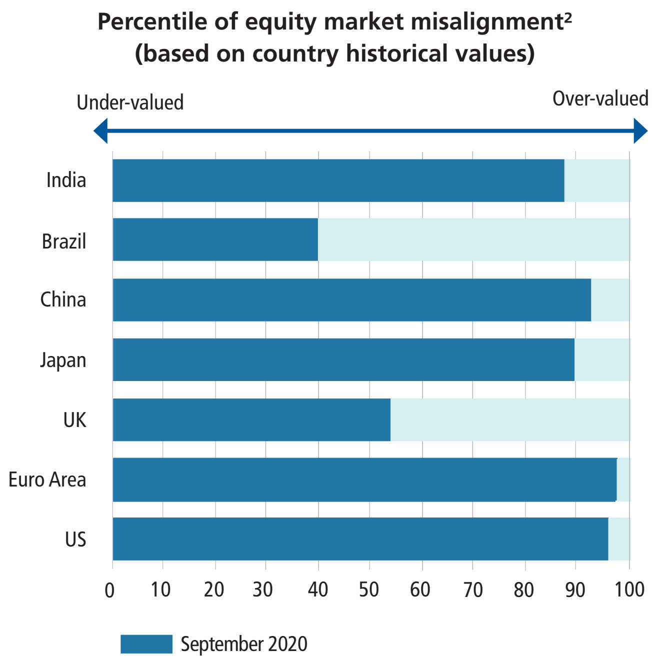


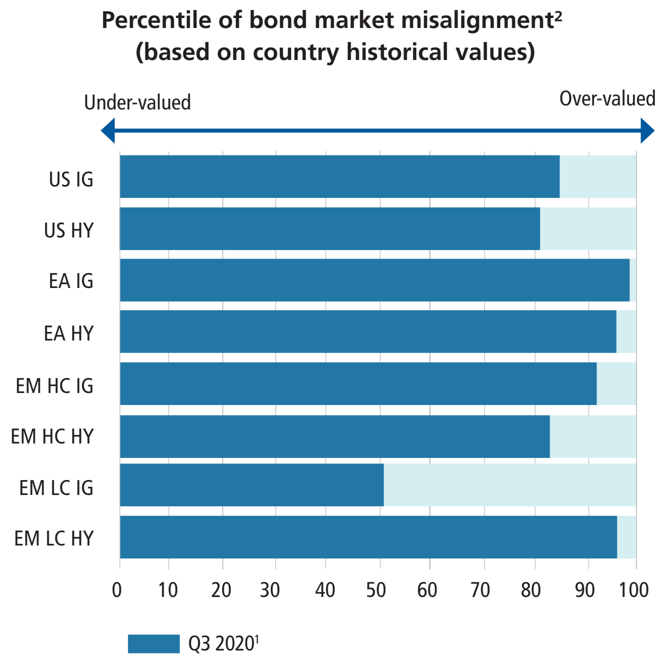
Source: Thomson Reuters Datastream; SC's calculations

A stream of moderately positive economic indicators, news on vaccine development progress and the outcome of the US presidential election further buoyed performance in global financial markets towards the end of 2020. The IMF in its World Economic Outlook (WEO) published in January 2021 expected a shallower recession of -3.5% in 2020 (October WEO: -4.4%), amid stronger-than-expected growth in 2H 2020, robust policy support and a stronger recovery in China offsetting weakness in EMEs. Nevertheless, the IMF notes that this remains the world's worst peacetime contraction since the Great Depression in the 1930s. While asset prices continued to improve, the recovery in economic activity continues to be highly uneven and incomplete across most economies. In particular, evidence points to some disconnect between financial markets and the real economy, with risk asset valuations in some economies, especially in AEs, being highly stretched despite subdued economic prospects. Such conditions suggest higher financial vulnerability against the sudden repricing of risk, which could undermine the economic recovery process.

CHART 8

Global financial assets continued to rise despite subdued economic recovery





Notes:

1 Data up till 29 September 2020.

2 Misalignment is the difference between market- and IMF model-based values scaled by the standard deviation of weekly equity returns and monthly changes in bond spreads. High/low percentiles of market misalignment indicate the extent of overvaluation/undervaluation as compared to the country's historical values.

US - United States; EA - Euro Area; EM - Emerging Markets; HC - Hard Currency; LC - Local Currency; IG - Investment Grade; HY - High Yield.

Source: IMF Global Financial Stability Report, October 2020

MALAYSIAN CAPITAL MARKET DEVELOPMENTS IN 2020

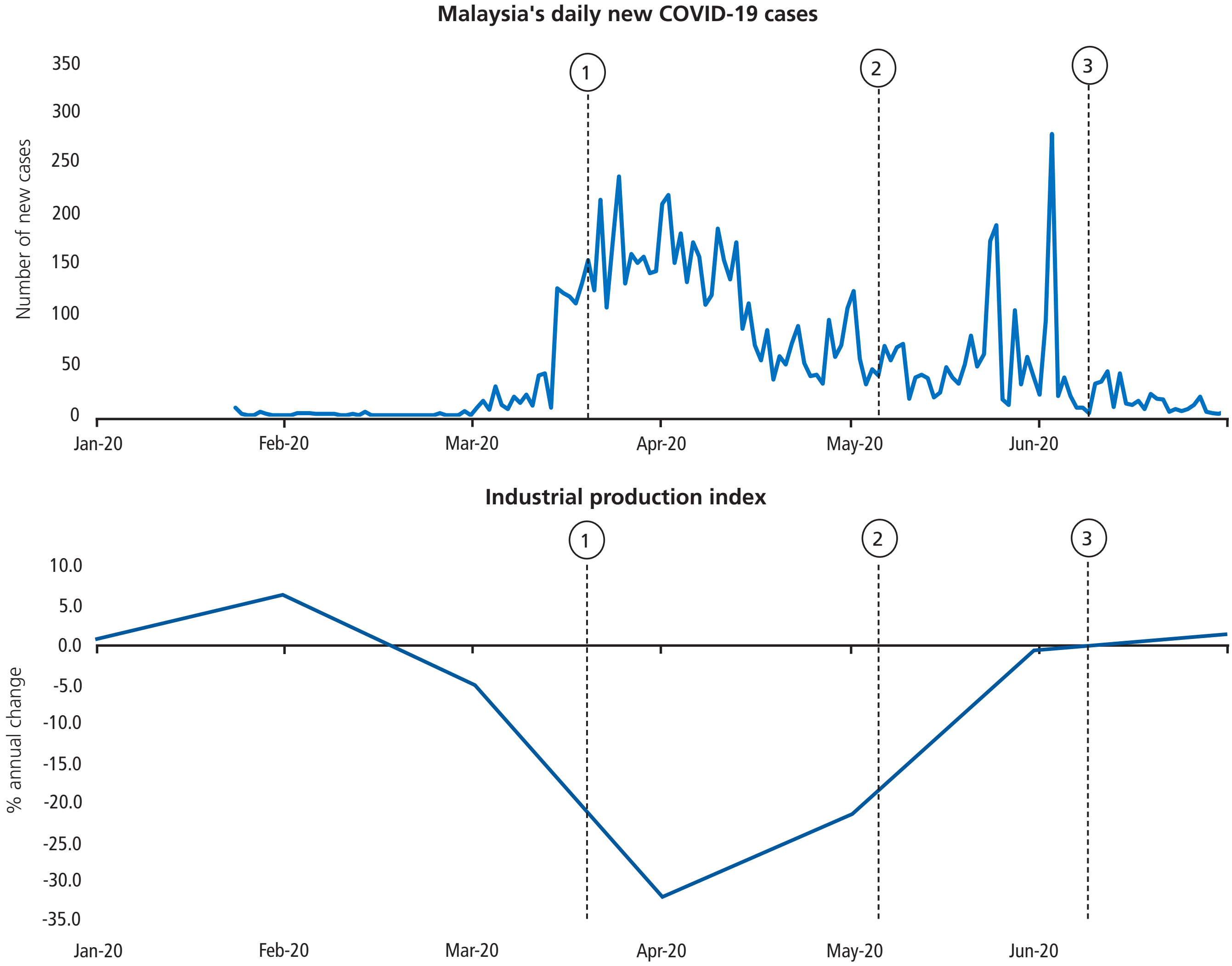
The Malaysian economy was not exempt from the adversity stemming from the COVID-19 pandemic in 2020. The rapidly rising number of infections domestically, alongside mounting cases abroad required the government to implement a full Movement Control Order (MCO) on 18 March 2020, closing national and state borders to contain the spread of the virus outbreak. These containment measures affected both the supply and demand side of the economy, causing a sharp decline in economic activity. Real GDP contracted by 17.1% y-o-y in Q2 2020, with growth seen to have troughed in April, during which most economic activities came to a standstill due to the MCO.

This has resulted in full year decline of -5.6% in 2020, a larger decline than the -1.5% contraction witnessed in 2009 during the GFC.

Against the backdrop of challenging economic conditions, domestic policy responses have been swift. Bank Negara Malaysia (BNM) promptly cut the Overnight Policy Rate (OPR) by a cumulative 125 basis points (bps) between January and July 2020, while reducing the Statutory Reserve Requirement (SRR) by 100 bps and relaxing its compliance in March 2020. Likewise, the government unveiled a sum of RM305 billion in stimulus via *Prihatin Rakyat* Economic Stimulus Packages (*Prihatin*, *Prihatin PKS Tambahan*, *Kita Prihatin*) and the National Economic Recovery Plan (*PENJANA*), of which RM45 billion was directly injected by the government under the COVID-19 Relief Fund.

CHART 9

The rising number of new cases in Q1 2020 warranted strict containment measures, which brought the economy to a standstill



Note: Vertical dashed line indicates; 1) 18 March 2020 – MCO; 2) 4 May 2020 – Conditional Movement Control Order (CMCO); 3) 10 June 2020 – Recovery Movement Control Order (RMCO).

Source: World Health Organisation (WHO), CEIC, Department of Statistics Malaysia (DOSM)

On the capital market front, the Securities Commission Malaysia (SC) announced a series of regulatory measures and flexibilities to support businesses affected by the pandemic, simultaneously ensuring the capital market remains orderly. This includes, among others, additional regulatory relief for public-listed companies (PLCs) to allow companies more time to regularise their financial positions and introduction of measures to ensure greater access to fundraising for viable SMEs. Further discussions on these measures by the SC are detailed in the subsequent chapters of this *Annual Report*.

Collectively, these domestic policy measures have helped to avert a sharper contraction in economic growth, stabilising market sentiment and paving the way for gradual recovery. The Ministry of Finance estimates that overall, the policy measures have contributed 4 to 4.2 percentage points to the nation's economic growth in 2020.

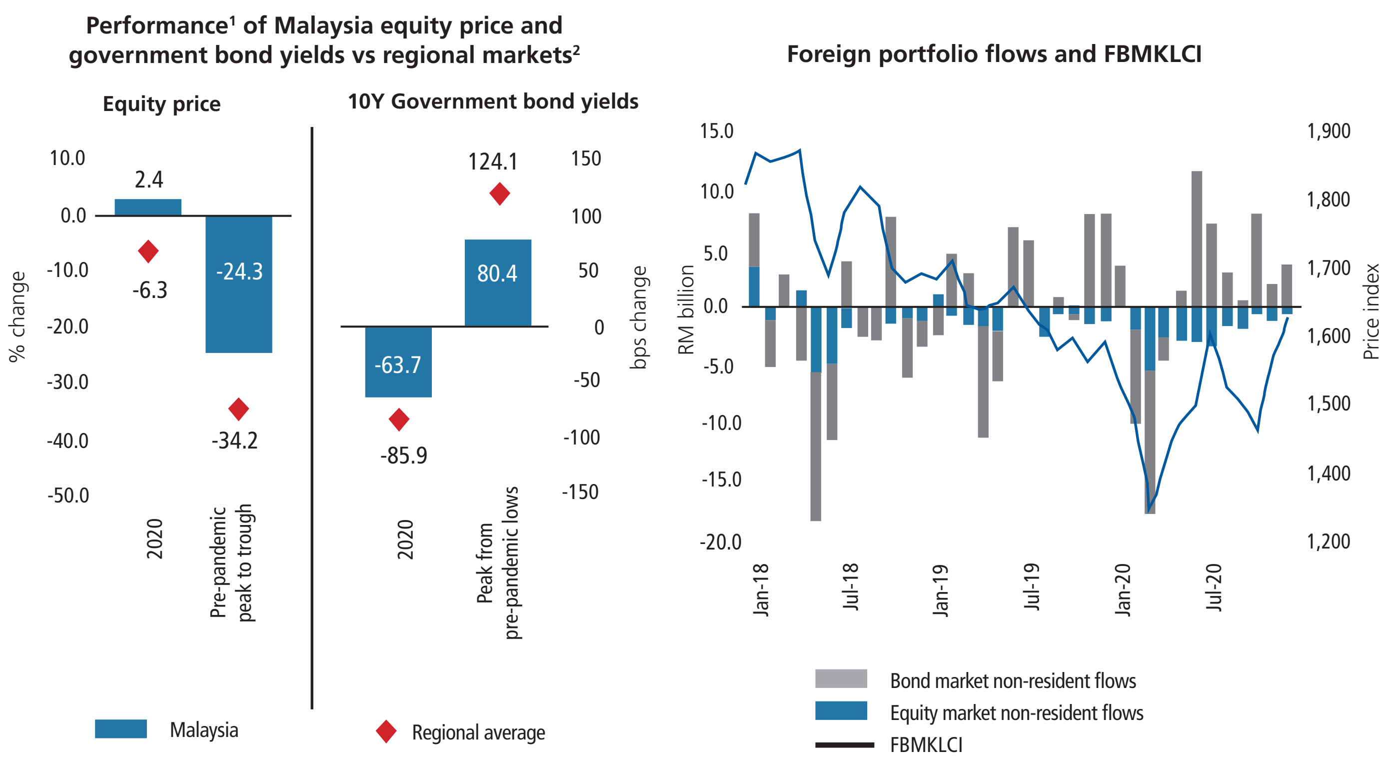
Domestic Capital Market Remained Orderly Despite the Unprecedented Shock

The domestic capital market experienced significant volatility in 2020, in line with global and regional markets. The impact on the domestic market was significant, especially in March 2020, reflecting the sharp worsening of the growth outlook and global risk aversion. Both local equity and bond markets experienced steep declines. On 19 March 2020, the FBMKLCI dropped as much as -24.3% from January 2020's pre-pandemic high to 1,219.72 points, the lowest level since September 2009. Meanwhile, local bond yields surged sharply, with the Malaysian Government Securities (MGS) 10-year yields rising by 80.4 bps to a high of 3.57% on 24 March 2020 from the low on 4 March 2020 (Chart 10). Portfolio fund flows were also adversely affected, with outflows in both equities and bonds totalling -RM34.1 billion in February to May 2020 amid intensified selling.

Nevertheless, the Malaysian capital market exhibited resiliency, underpinned by supportive policies. A broad recovery in domestic asset prices was witnessed from May 2020 onwards, mirroring global markets, as sentiments continued to improve. Portfolio inflows recovered in tandem, driven mostly by the bond market, with total non-resident inflows amounting to RM24.4 billion from June to December 2020 (Chart 10).

CHART 10

Domestic capital market remained resilient, with a recovery in bond portfolio flows beginning May 2020



Note:
[1] Between January and March 2020.
[2] Includes Indonesia, Thailand, Singapore and the Philippines.

Source: SC's calculations; BNM; Bloomberg

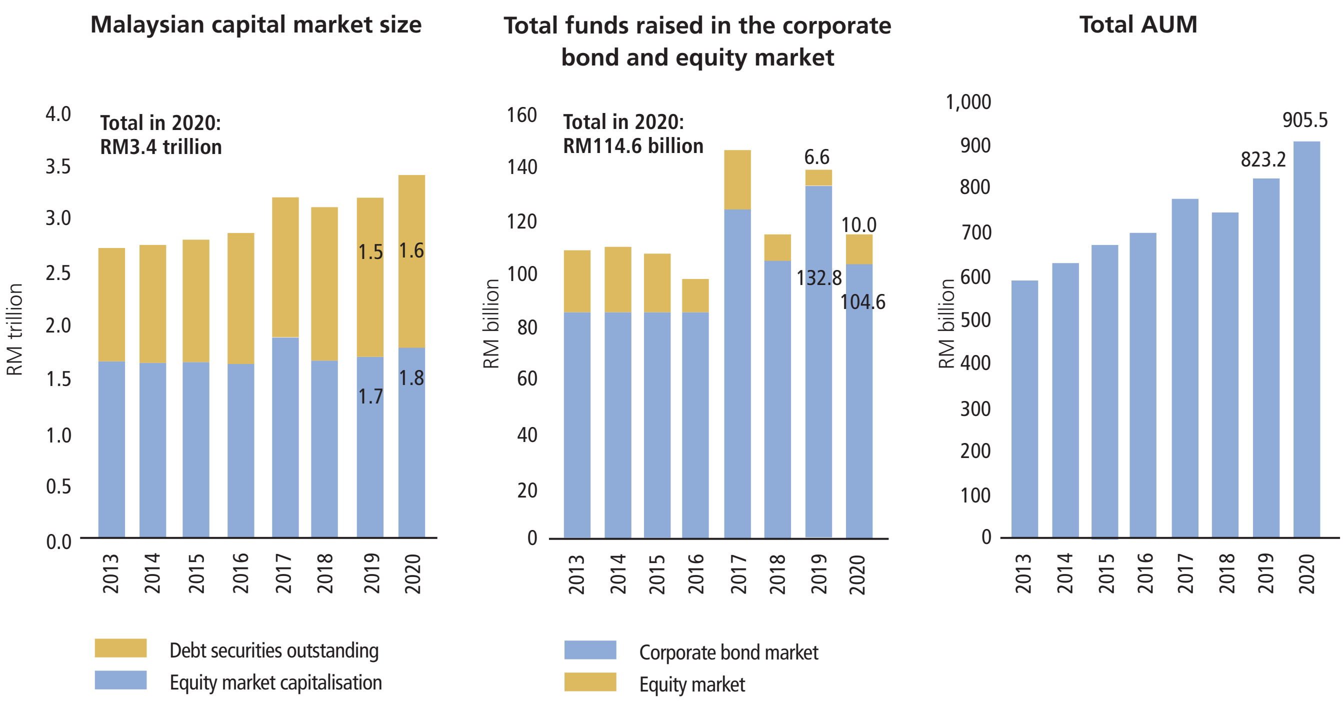
Although fundraising activities temporarily slowed in the March-May 2020 period, it recovered upon resumption in economic activity given continued funding needs. However, for the whole year, the capital market witnessed a lower level of fundraising in the corporate bond and equity market, totalling RM114.6 billion (2019: RM139.4 billion). In the corporate bond market segment, total new issuances stood at RM104.6 billion (2019: RM132.8 billion), while total funds raised in the equity market rose to RM10.0 billion (2019: RM6.6 billion), of which RM2.0 billion was raised via 19 initial public offerings (IPOs)[1] and RM8.0 billion through secondary fundraising (Chart 11). In 2020, there were two companies listed on the Main Market, 10 companies on the ACE Market, and the remaining on the LEAP Market. Meanwhile, alternative fundraising avenues continued to gain traction, especially in ECF and P2P financing, with total funds raised increasing to RM631.0 million in 2020 (2019: RM441.6 million)[2].

The fund management industry recorded its highest monthly net withdrawal in 2020 during the height of the health crisis in March. However, the industry demonstrated resilience throughout this episode of market stress due to the soundness of the liquidity risk management frameworks of capital market intermediaries. Furthermore, investment management professionals navigated market volatility through effective management strategies, which led to the restoration of investor confidence. By July 2020, the fund management industry rebounded and recorded asset under management (AUM) of RM844.1 billion, surpassing the historical high of RM823.2 billion as at end December 2019.

Overall, the size of the total capital market rose by 7.0% to RM3.4 trillion in 2020 (2019: RM3.2 trillion) (Chart 11). Meanwhile, the AUM of the fund management industry expanded by RM82.3 billion to RM905.5 billion in December 2020 (December 2019:

CHART 11

Size of the Malaysian capital market rose in 2020, while the AUM expanded further, despite the challenging environment



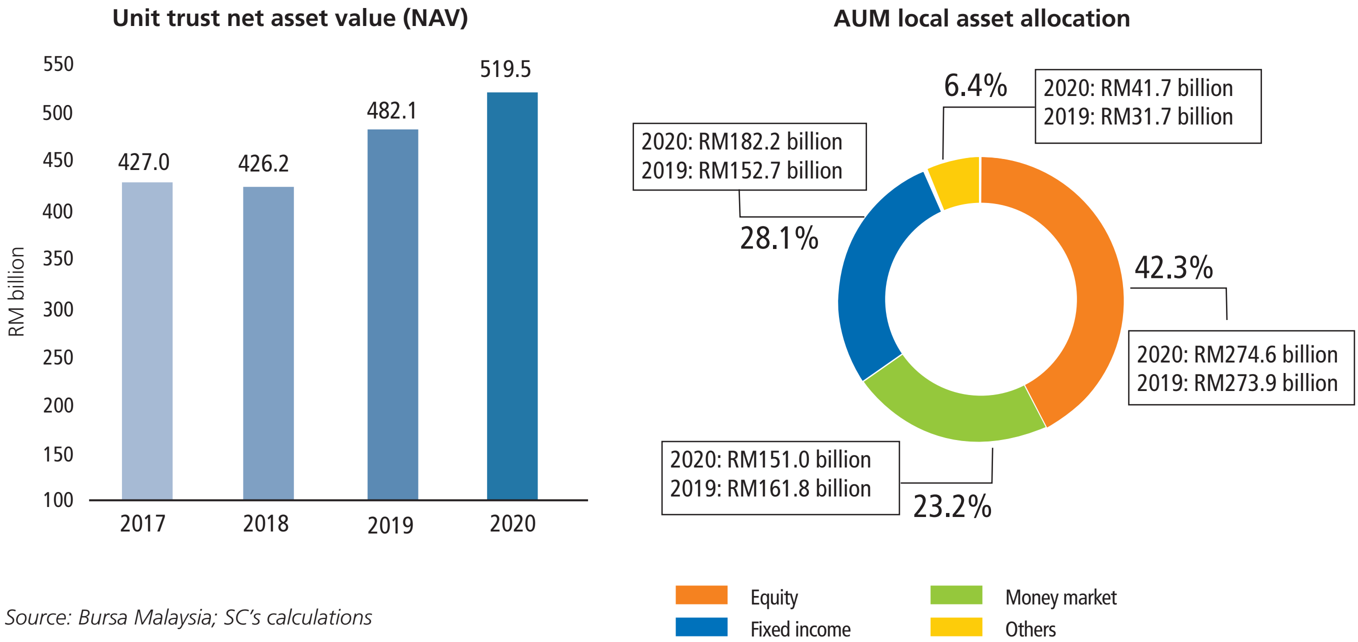
Source: Bursa Malaysia; SC's calculations

[1] Including ICT Zone Asia's listing by way of introduction on the LEAP Market on Bursa Malaysia, which does not entail any fundraising exercise as at 2020.

[2] Further information on ECF and P2P financing are provided in *Part 4: Enabling Immediate Opportunities and Facilitating Recovery*, of this Annual Report.

CHART 12

Unit trust segment remained the largest source for AUM in 2020



Source: Bursa Malaysia; SC's calculations

RM823.2 billion) (Chart 11). Unit trust segment remained the largest source of funds for AUM, with a higher total NAV amounting to RM519.5 billion in December 2020 (December 2019: RM482.1 billion) (Chart 12).

The Malaysian capital market has continued to play its role in financing the domestic economy and mobilising savings despite unprecedented conditions in 2020. High levels of domestic liquidity, alongside proactive measures taken by the authorities have helped maintain orderly market conditions and ensure limited disruption to overall capital market activities.

Performance of the Domestic Equity Market

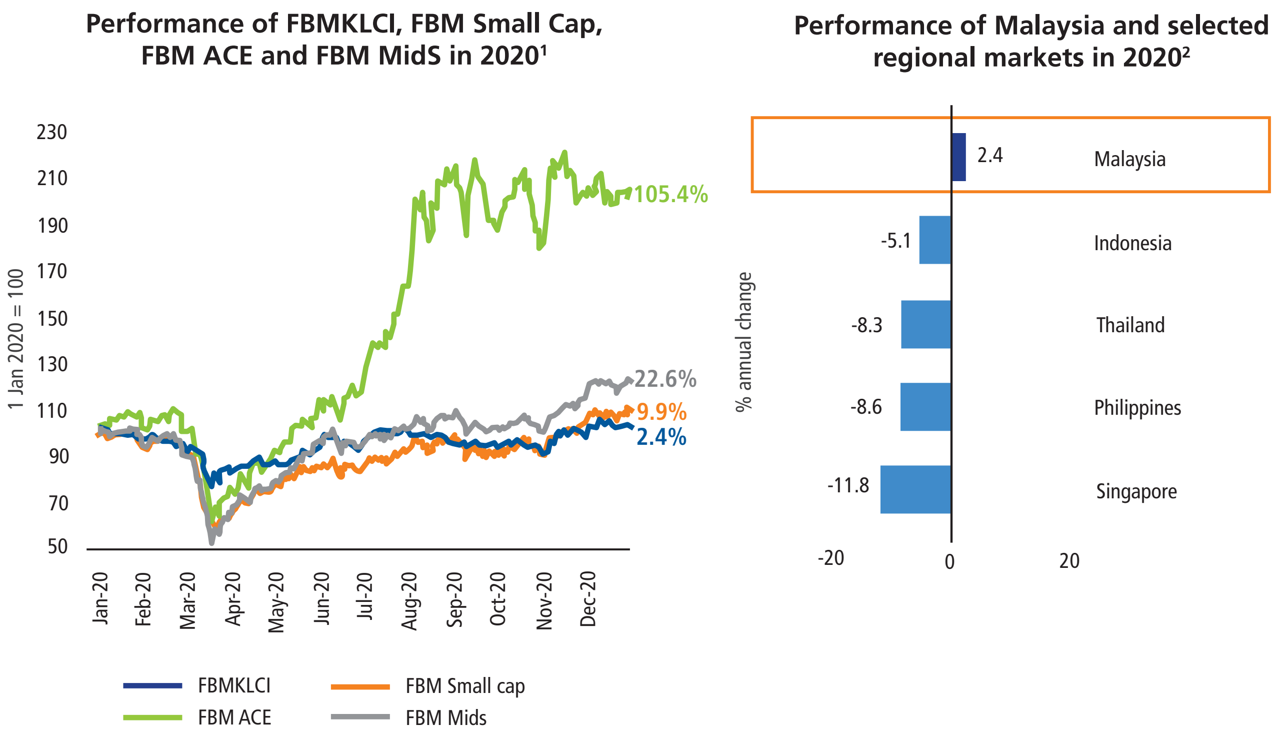
The domestic equity market was also affected by continued uncertainties arising from escalating US-China tensions, the 2020 US Presidential election, and developments in the domestic political landscape. Nevertheless, continued supportive policy action both globally and domestically, coupled with signs of economic recovery, offered some respite to the benchmark index.

The overall market capitalisation of Bursa Malaysia in 2020 rose by 6.2% y-o-y to RM1.82 trillion (2019: RM1.71 trillion). Total market capitalisation rebounded by as much as 48.7% to RM1.85 trillion on 16 December 2020 from a low of RM1.25 trillion on 19 March 2020, amid improving sentiments on news of positive progress on vaccines. Similarly, for FBMKLCI, market capitalisation rose, albeit only marginally by 3.3% y-o-y to RM1.06 trillion in 2020 (2019: RM1.02 trillion), rebounding by 33.1% from its trough on 19 March 2020.

The FBMKLCI index ended 2020 slightly higher by 2.4% y-o-y to 1,627.2 points (2019: -6.0% y-o-y to 1,588.8 points). The benchmark index recorded a sturdy recovery by as much as 38.1% from 19 March 2020 to its peak at the closing on 11 December 2020. This was supported by robust demand for glove-related counters, which offset continued weakness in financial services and service-intensive counters. The non-FBMKLCI components in the Malaysian equity market fared better in 2020 as the market continued to experience a positive shift in sentiment, favouring the smaller and mid-cap sized companies. The FBM ACE and FBM MidS indices increased by 105.4% y-o-y, and 22.6% y-o-y, respectively in 2020 (2019: 21.1% and 32.0%, respectively) (Chart 13). Recovery was most notable in the FBM ACE, which registered a significant 261.6% gain on 16 December 2020 from its 19 March 2020 low. The FBM Small Cap meanwhile rose modestly by 9.9% y-o-y (2019: 21.1%) but was 102.4% higher from its trough.

CHART 13

FBM ACE recorded significant increase, while the benchmark FBMKLCI outperformed its regional peers in 2020



Notes:

[1] FBMKLCI consists of the largest 30 companies ranked by full market capitalisation in the FTSE Bursa Malaysia EMAS Index; FBM Small Cap consists of all constituents of the FTSE Bursa Malaysia EMAS Index that are not constituents of the FTSE Bursa Malaysia Top 100 Index; FBM MidS comprises constituents from the FTSE Bursa Malaysia EMAS Index with a full market capitalisation range of RM200 million to RM2 billion; FBM ACE comprises all companies listed on the ACE Market.

[2] Referenced composite indices: Malaysia – FBMKLCI, Indonesia – JCI, Thailand – SET, Philippines – PCOMP, Singapore – STI.

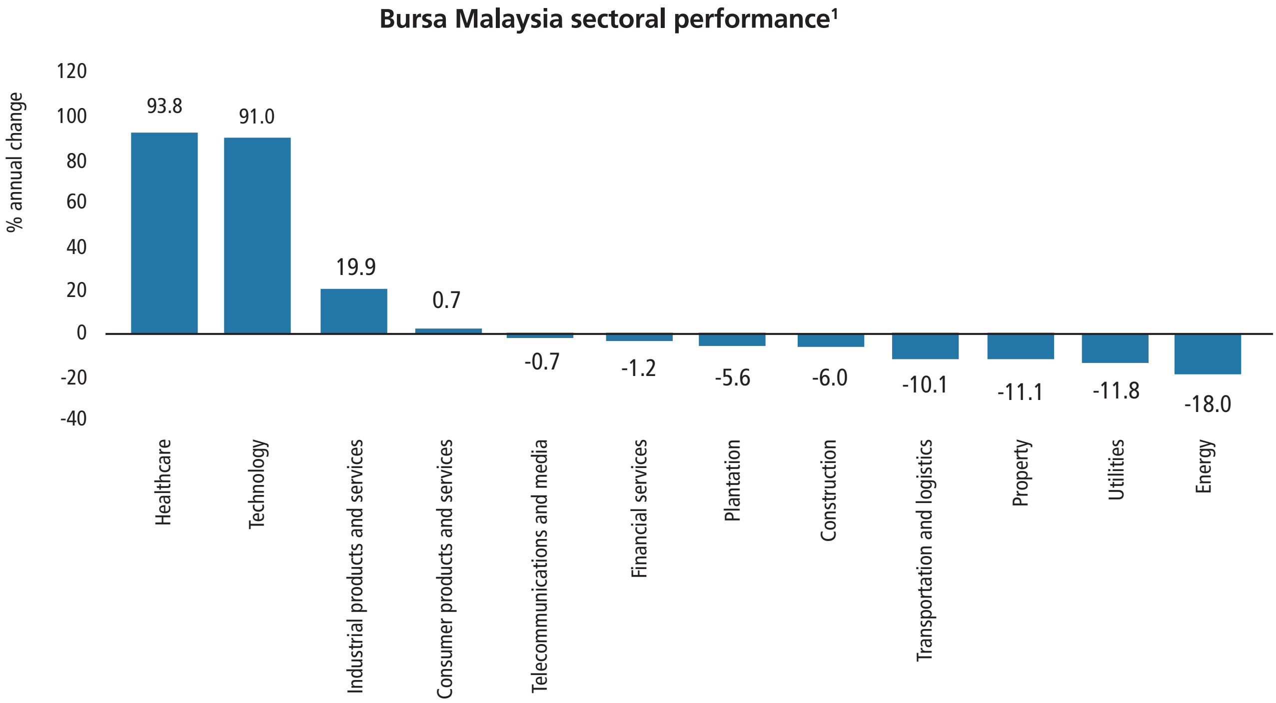
Source: Bloomberg; SC's calculations

From a sectoral perspective, healthcare and technology sectors outperformed the most in 2020, gaining by 93.8% y-o-y and 91.0% y-o-y respectively. This was driven by higher demand for medical gloves and increasing usage of technology. In contrast, underperformers were led by the energy and utilities sectors, declining by -18.0% y-o-y and -11.8% y-o-y respectively.

The energy sector was pressured by volatile and significantly lower crude oil prices in 2020, which averaged at US$43.3 per barrel (2019: an average of US$64.2 per barrel), while the utilities sector was affected by lower commercial and industrial usage, especially during the MCO period.

CHART 14

On sectoral performance, healthcare and technology witnessed the highest surge driven by heightened demand induced by the pandemic



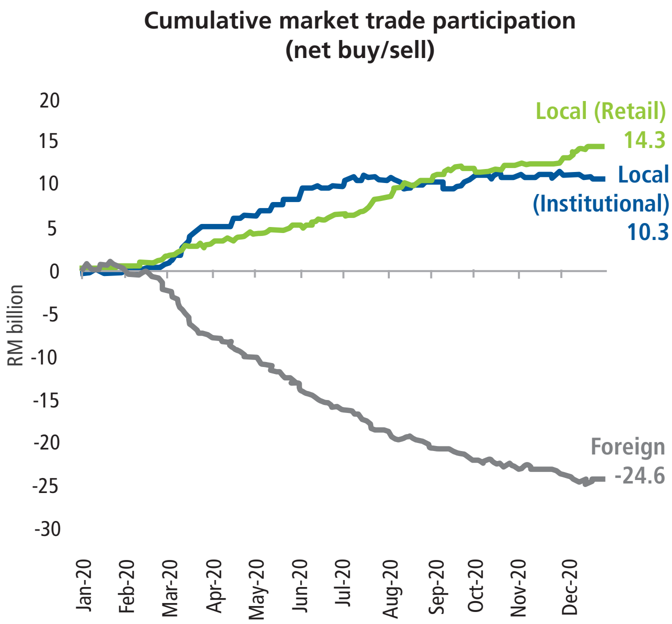
Notes:
[1] Annual percentage change in market capitalisation based on sectoral classification by Bursa Malaysia for 2020.

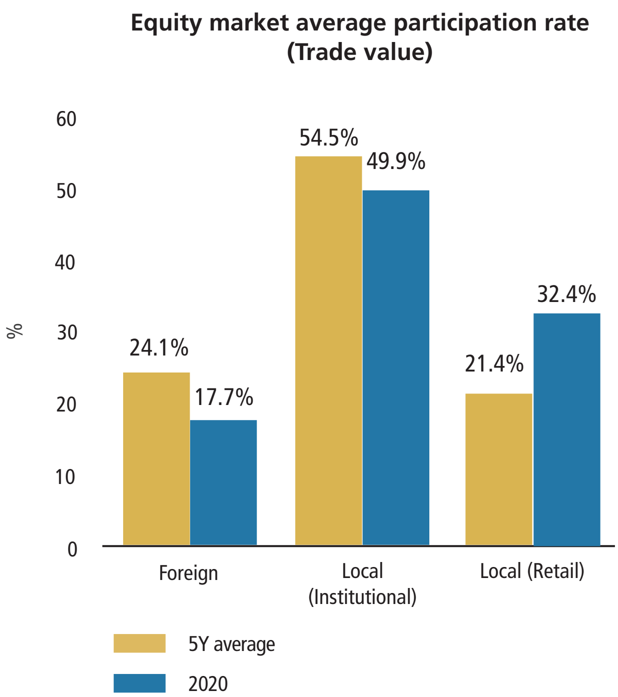
Source: Bursa Malaysia; Bloomberg; SC's calculations

In terms of participation rate, non-residents remained net-sellers of local equities to a larger degree, with total outflows amounting to -RM24.6 billion (2019: -RM11.1 billion). Correspondingly net buy by local institutional and retail investors increased, amounting to RM10.3 billion and RM14.3 billion respectively. Cumulatively, net buy from retail investors surpassed institutional investors in 2020 as retailers sought short-term gains in assets offering higher returns, specifically in glove- and technology-related counters, which rode on the pandemic wave. The participation rate for retail investors thus took an upward turn in 2020, rising to an average of 32.4% in terms of value traded. It was significantly larger than the prior year of 20.8%, and the 5-year average of 21.4%.

CHART 15

Local retail investors emerged as net-cumulative buyer in 2020, surpassing local institutional, with higher participation rate on average





Source: Bursa Malaysia; SC's calculations

INCREASED RETAIL PARTICIPATION – A DETAILED SNAPSHOT

Similar to experiences in many other countries, the domestic equity market witnessed exceptional levels of trading activity by retail investors in 2020. The SC conducted an in-depth assessment into this trend, focusing on the characteristics of the retail investors in August 2020, where numerous all-time highs in total market-wide volume were recorded.

Overall, the assessment was done on an identified sample population of more than 19,000 Central Depository System (CDS) accounts. The sampling was based on the most active CDS accounts that, in aggregate, contributed to two-thirds of the total volume traded in each of the most active stocks in August 2020.

RETAIL PARTICIPATION IS BACK, SO **WHO ARE THEY?**

In August 2020,

19,329

most active CDS accounts were sampled for review. Of which

14,118

were **Retailers**

83% of retail volume was attributed to stocks **<RM0.50**

75% of retail trading interest was in **ACE** and **Fledgling** stocks

56% of retail trades were in stocks from the **Industrial Products & Services** and **Technology** sectors

KEY OBSERVATIONS OF INVESTOR PROFILES

87%
of active retail accounts were opened **prior to 2020**

75%
of these accounts belong to investors aged **>40 years**

50%
of the retail trade volume was contributed by investors aged between 40-60 years

RETAIL INVESTORS' AGE

	<30 years	30-39 years	40-49 years	50-59 years	≥60 years
Trade volume	6%	20%	28%	25%	21%
Trades placed electronically	94%	93%	88%	82%	82%
Cash upfront and collateralised accounts	67%	67%	52%	55%	50%

When combined with other supervisory and surveillance data, the outcome from this exercise forms a more complete picture of the profiles of the domestic retail investors. Overall, the increased participation of retail investors observed was assessed to not pose a significant systemic concern as it was driven by seasoned investors, with trades mainly from cash reserves without depending on borrowings. Nevertheless, the SC continues to closely monitor and address any potential build-up of risk on this front.

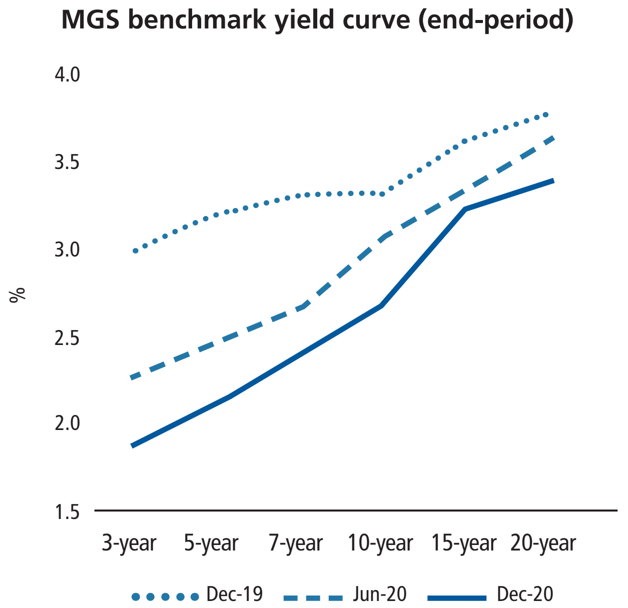
Performance of the Domestic Bond Market

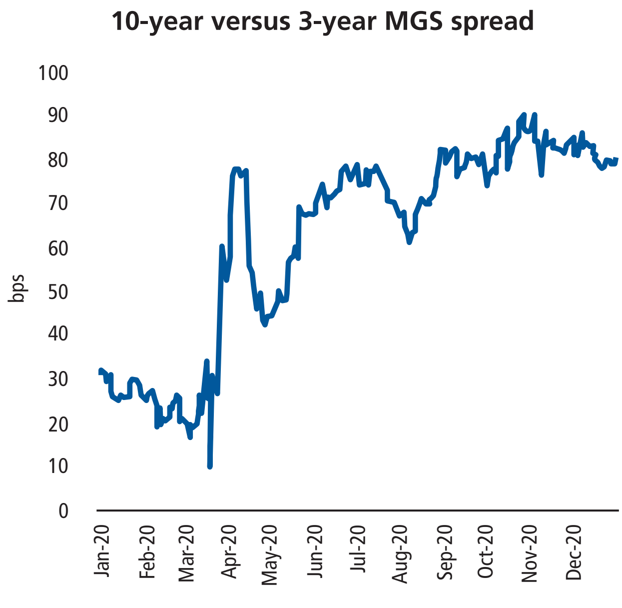
In the Malaysian bond market, total bonds outstanding grew by 8.0% to RM1.61 trillion in 2020 from RM1.49 trillion in 2019. This reflected higher levels of debt fundraising from the public sector, amid stronger funding needs and lower financing costs. This was also underpinned by favourable macroeconomic fundamentals and confidence in the domestic bond market, given ongoing policy efforts to improve market efficiency, accessibility and liquidity. In addition, supportive counter-cyclical policies and continued demand from domestic investors helped ease the upside pressure on yields, offsetting higher bond supply risks following the lifting of Malaysia's statutory debt limit from 55% to 60% of GDP.

MGS yields experienced downward pressure across tenures on the back of a broadly easier monetary policy stance, given the challenging economic backdrop. The overall yield curve shifted downwards, led by those in shorter maturity, with 3-year and 5-year yields declining by -111.6 bps and -106.9 bps respectively, while the 10-year and 3-year spread expanded to 79.4 bps from a low of 9.5 bps in March 2020 (Chart 16). MGS 10-year yields declined by -63.7 bps to end the year at 2.68% (2019: -77.9 bps to 3.3%), 17.8 bps higher than the record low of 2.50% on 6 August 2020.

CHART 16

MGS bond yields experienced downward pressure across tenures supported by looser monetary policy stance





Source: Bursa Malaysia; SC's calculations

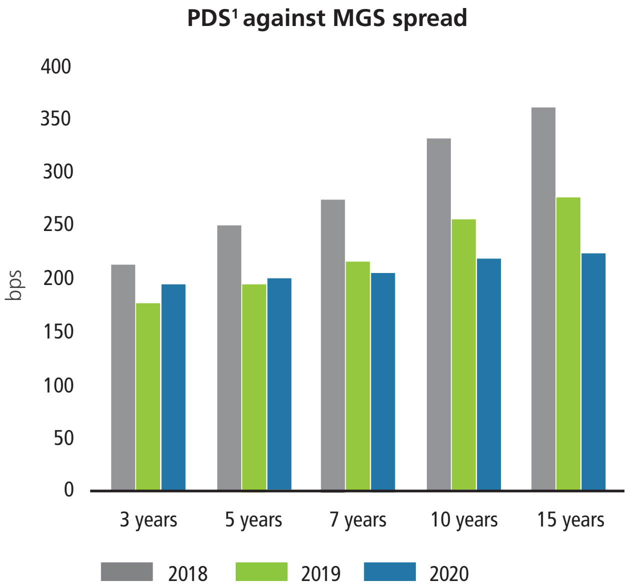
Meanwhile, the spread between corporate bonds and MGS were mixed across tenures, with a widening bias at the 3-year and 5-year tenures, but narrowing at a longer maturity. This differentiated performance reflected the underperformance of long-term government debt papers compared to those with shorter maturities, as well as ample market liquidity anchored by broadly stable private credit conditions.

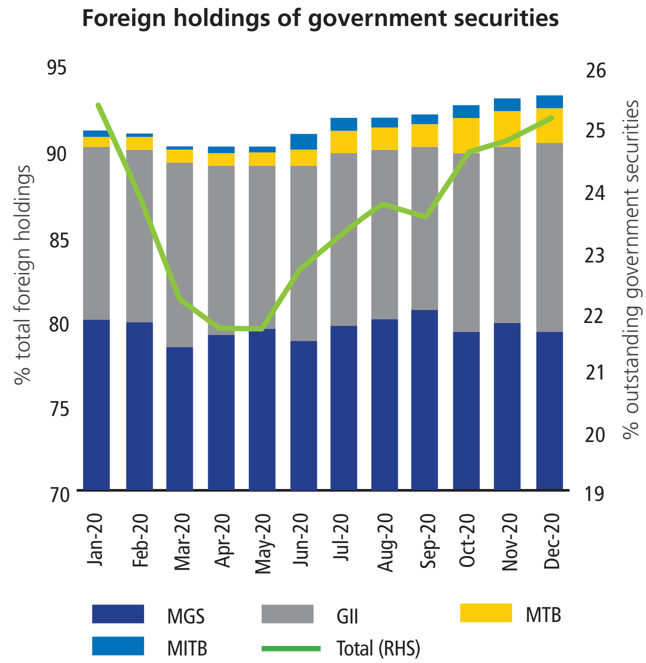
The domestic bond market also benefitted from yield-seeking investors, as evidenced by the return of portfolio inflows from May 2020 onwards, in line with the improvement in investor sentiment globally.

For the whole year, net foreign inflows into the bond market amounted to RM18.3 billion, with inflows during May-December 2020, outsizing the outflows during the height of the health crisis (RM37.1 billion vs -RM22.4 billion in February to April 2020) (Chart 17). This was despite the downgrade in Malaysia's sovereign rating by Fitch Ratings on 4 December 2020 to BBB+ from A-, with a stable outlook. About 79.5% of total foreign holdings were in the MGS as of end December 2020 (end-2019: 80.1%), which was equivalent to 40.6% of total MGS outstanding (end 2019: 41.6%).

CHART 17

Spread between private debt securities (PDS) and MGS were mixed, while foreign holdings of ringgit denominated debt were largely in local government securities





Note:

[1] PDS rated between AAA and BBB.

Source: BNM; Bloomberg; Thomson Reuters

OUTLOOK FOR 2021

The global economy is projected to be on a recovery path in 2021. The recovery, however, will remain incomplete across AEs and EMEs, and is subject to success in containing the pandemic, particularly with further progress on vaccine deployment and effective treatment, improvement in global trade and continued policy support. The continued resurgence of COVID-19 cases globally poses a downside risk to the outlook. However, faster deployment of vaccines globally will significantly improve the growth outlook. In the region, China and other key economies in East Asia are expected to lead economic recovery amid faster normalisation in activity following their relatively successful containment of COVID-19. Overall, the global policy environment is expected to remain supportive given the prospect of continued accommodative global monetary policies.

The performance of global capital markets is expected to remain generally positive on the back of continued economic recovery and commitment by global policymakers to support growth. However, a prolonged low-interest rate environment will likely further contribute to already stretched valuations in some risk asset markets. In EMEs, overall performance will be differentiated, favouring those with stronger macroeconomic fundamentals.

On the domestic front, the Malaysian economy is expected to rebound in 2021, in tandem with the recovery in global demand and continued support from domestic policy measures. However, the pace of economic recovery is expected to be uneven across sectors, with those more affected by the pandemic remaining vulnerable. Domestic demand is also expected to recover gradually, in line with turnaround in public and private sector expenditure amid continued support from policy measures. Downside risks to growth remain, arising from the risk of virus resurgence globally and domestically, key developments in global trade and the overall durability of global economic recovery.

In the domestic capital market, the outlook will continue to be influenced by key global developments, with volatility driven primarily by the uncertainty surrounding the pandemic, and the pace as well as sustainability of the domestic economic recovery. Nevertheless, the Malaysian capital market will continue to play a significant role in supporting economic growth through the financing of business and infrastructure, and to act as an effective medium for savings mobilisation. Overall, the domestic capital market is expected to remain resilient and orderly, underpinned by Malaysia's strong macroeconomic fundamentals, ample domestic liquidity and resilient capital market infrastructure, which will continue to support the growth of the Malaysian economy in 2021.

CAPITAL MARKET REVIEW AND OUTLOOK

The domestic capital market continued to play its vital role in financing economic activity and intermediating savings. It is expected to remain resilient and orderly, underpinned by Malaysia's strong macroeconomic fundamentals.


KELUAR

PART

02

ENSURING STABILITY AND CONTINUITY DURING COVID-19

PART 02 ENSURING STABILITY AND CONTINUITY DURING COVID-19

INTRODUCTION

In the wake of the pandemic, the preventive measures under the MCO had impacted business operations and livelihood of Malaysians at large, which led to a period of increased market volatility. Amid this landscape, the SC took swift action across five key focus areas to help alleviate immediate challenges and risks faced by the capital market and its participants. Efforts were focused on maintaining continued orderly function of the market, providing relief measures to ease burdens faced by affected market participants, facilitating the continuity in operations of market institutions and intermediaries, monitoring of market and liquidity risks as well as ensuring investor protection.

FAIR AND ORDERLY MARKET

Smooth Functioning of the Market

The SC intensified its monitoring of trading activities in the equity and bond markets to manage the significant increase in volatility, pro-cyclical effects of rating downgrades and downstream effects of liquidity, among others. Similarly, the SC also monitored the impact of the pandemic on capital market infrastructure including the operations of the exchanges, resiliency of Central Counterparties (CCPs) and the trading engine capacity, all of which are fundamental components of a fair, orderly and efficient market.

To mitigate potential risk arising from exceptional levels of market volatility and global uncertainties, short selling activities covering intraday short selling (IDSS), regulated short selling (RSS) and intraday short selling by proprietary day traders (PDT) were temporarily suspended from March to end of April 2020. The suspension did not apply to permitted short selling (PSS), given that PSS is an important market operation tool *vis-à-vis* market-making activities for products such as exchange-traded funds (ETF).

Subsequent to the SC's continuous review of market conditions, the suspension of short selling was further extended to end of June 2020 and subsequently December 2020. The phased approach was undertaken to allow greater agility in responding to the uncertain and challenging environment. The extensions were to ensure that excessive speculative activities and downside risks in the marketplace were appropriately mitigated and managed.

To provide added stability and confidence in the market, the SC in July 2020, approved Bursa Malaysia's proposal to implement temporary revisions to its existing market management and control mechanisms. The revisions were applicable for a six-month period from 20 July 2020, as follows:

- The lower dynamic price limit narrowed from -8% to -5% for FBMKLCI Component Stocks (Index Stocks);

- The lower static limit tightened from -30% to -15% for Index Stocks;
- The Circuit Breaker threshold changed to two levels (-10% and -15%) from three levels (-10%, -15% and -20%); and
- The short selling price limit narrowed to -10% from -15% in line with the revised lower static price limit.

The temporary revised limits serve to moderate potentially excessive price movements while allowing investors time to rationalise investment decisions during periods of heightened uncertainty and market volatility.

Continuous Monitoring of Clearing and Settlement Capacity

CCPs form an integral part of stable and resilient market infrastructure. They ensure that trade settlement and clearing activities are carried out smoothly to safeguard stakeholders' interests in the event of failed trades. In this regard, the SC expects Bursa Malaysia Securities Clearing (BMSC) and Bursa Malaysia Derivatives Clearing (BMDC) to effectively manage settlement and clearing risks for the securities and derivatives markets respectively. Clearing funds, margins and security deposits posted by clearing participants serve as important layers of protection in the event of default.

In light of volatile market conditions, daily stress tests were conducted by BMSC on the clearing fund to ensure the sufficiency of coverage in the event of participants' default. To date, the results of the stress tests have not warranted any increase to the clearing fund. Meanwhile, revisions were made to the derivatives clearing fund and margin rates for futures products, after taking into consideration the fluctuating volatility in financial and commodity futures markets. For example, the derivatives clearing fund as at end December 2020 stood at RM37 million, arising from the recent increased contributions from BMDC and market participants. Margin rates for FTSE Bursa Malaysia KL Composite Index Future (FKLI) were gradually revised from RM2,500 to RM4,200 in Q1 2020. The margin for Crude Palm Oil Futures (FCPO) was also raised from RM4,500 to RM6,200 in the same quarter. However, in April and early May 2020, the margin for FCPO was gradually reduced from RM6,200 to RM5,000 in line with changes in market volatility for CPO.

REGULATORY RELIEF MEASURES

The Conduct of Fully Virtual General Meetings

The MCO necessitated limited movement of persons and gatherings for business, cultural, religious, sports, or social purposes. Consequently, this affected the ability of listed issuers to discharge their statutory obligations to conduct general meetings without breaching the MCO conditions.

As part of the relief and support measures for affected listed issuers, the SC and Bursa Malaysia allowed flexibility on the timing of annual general meetings (AGMs) and the issuance of quarterly and annual reports.

Listed issuers could apply to conduct their AGMs beyond the prescribed period as stipulated under the *Companies Act 2016*, through an application to the Companies Commission of Malaysia (SSM).

The SC also granted a–

- two-month extension for REIT managers of listed REITs with a financial year-end of 31 December 2019 to hold AGMs by 30 June 2020; and
- one-month extension for REIT managers of listed REITs with financial year-end of 31 March 2020 to hold AGMs by 31 August 2020.

On 18 April 2020, the SC issued a guidance note titled, *Guidance and FAQs on the Conduct of General Meetings for Listed Issuers* (Guidance Note). The Guidance Note addressed among others common questions on the conduct of fully virtual general meetings and meeting of unitholders. In a fully virtual meeting, a limited number of individuals are allowed to physically gather to conduct the general meeting at a broadcast venue. All other meeting participants, including shareholders may attend and participate in the meeting online.

A total of 888 listed issuers conducted 1,017 general meetings since the issuance of the Guidance Note. Out of which, 824 were AGMs, 192 were Extraordinary General Meetings (EGMs) and one meeting of unitholders. A total of 541 of these meetings were fully virtual while three were hybrid.

Conduct of general meetings

Data as at 31 December 2020

MCO
(18 March – 3 May 2020)

3

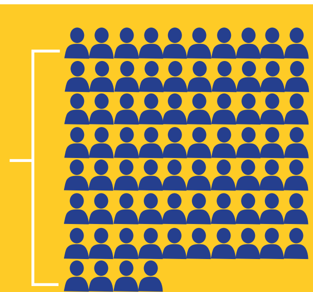
CMCO
(4 May – 9 June 2020)

29

RMCO and CMCO
(10 June – 31 December 2020)

509 | 3 | 473

74%
of shareholders would like to continue having the option to participate online



Fully virtual – Only essential individuals are present at the broadcast venue with all shareholders participating online.
Hybrid – Shareholders have the option to be physically present at the meeting venue or to participate online.
Physical – All participants are physically present at the meeting venue.

VIRTUAL GENERAL MEETINGS – MALAYSIA'S EXPERIENCE

The health crisis had accelerated the use of digital tools to facilitate the conduct of general meetings, leading to a growing number of fully virtual and hybrid meetings being held. This experience offers a good opportunity to learn and make improvements to this important part of corporate governance.

The SC carried out a survey on the conduct of fully virtual general meetings. Feedback was gathered from 29 listed issuers, which conducted fully virtual general meetings during the first MCO and CMCO period (18 April to June 2020). A total of 309 individual shareholders also responded to the survey.

KEY FINDINGS

Out of 29 listed issuers, 17 responded that they will continue to offer the option for remote shareholder participation in future general meetings.

While shareholder participation was generally lower in fully virtual general meetings, 31% of listed issuers responded that shareholders posed more questions in a fully virtual general meeting compared to a physical meeting. Using the number of questions posed by shareholders as a gauge, we may conclude that the level of engagement between the board and shareholders at fully virtual general meetings has been encouraging.

Several listed issuers highlighted substantial cost-saving from conducting a fully virtual general meeting compared to a physical meeting as large venues are not required to conduct the meeting.

Preference for remote participation was higher among shareholders in the younger age group, while majority of those in the senior age group preferred physical participation. Although more than half of the shareholders age 60 years and above preferred physical participation in AGMs, a significant number of them would still like to have the option to participate in the meeting remotely (online), as highlighted in Table 1.

TABLE 1

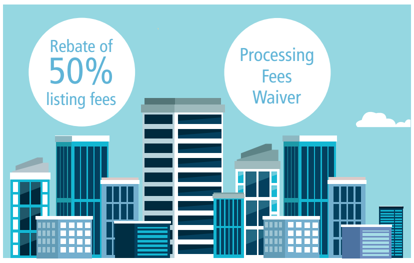
Preferred mode of participation in a general meeting

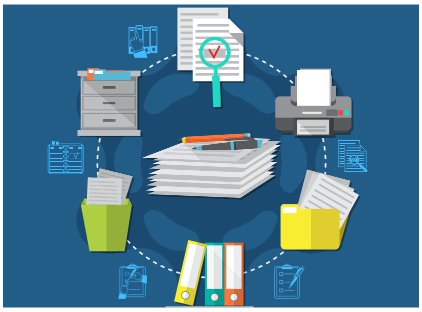
Participation preference / Age	30 and below	Between 31 and 40	Between 41 and 50	Between 51 and 60	Between 61 and 70	71 and above
Online	48%	45%	38%	40%	21%	30%
Physical	52%	55%	62%	60%	79%	70%
• Would like to also have the option to participate in the meeting remotely (online)	82%	65%	69%	71%	56%	43%

RELIEF MEASURES ON FUNDRAISING

The SC had, together with Bursa Malaysia, announced various regulatory relief measures to ease compliance by listed issuers and facilitate fundraising in a timely and cost effective manner. The relief measures include the following:

PLCs are granted a rebate of 50% annual listing fees for year 2020.





Issuers are allowed to issue Prospectus and Abridged Prospectus during MCO period without prior lodgement with Registrar of Companies.

Waiver of listing related fees for 12 months, which is applicable up to 26 February 2021 for companies seeking listing on LEAP or ACE Markets as well as those with market capitalisation of less than RM500 million on Main Market.

PLCs are allowed to seek general mandate from their shareholders in a general meeting to issue new securities up to 20% of total number of issued shares (excluding treasury shares) for issue of new securities. The increased limit from 10% to 20% is allowed until 31 December 2021.

Eligible listed issuers are allowed to seek mandate in a general meeting to issue new securities up to 50% of total number of issued shares (excluding treasury shares) or issued units, as the case may be, to their existing securities holders on a pro-rata basis, up to 31 December 2021. The rights issue exercises under this relief measure are subjected to certain conditions. Such conditions are, among others:

- The rights issue must be a 'plain vanilla' issuance based on ordinary shares or units.
- The eligible listed issuers must have controlling securities holders[1] who will provide an irrevocable undertaking to subscribe for their full entitlements.

A total of **389** companies have benefitted from the various listing fee waivers while **47** companies have announced fundraising exercises under the increased/new general mandates.

[1] This refers to either the controlling shareholders of the PLCs, or the controlling unitholders of the REITs, which mean any person who is, or a group of persons who together are entitled to exercise or control the exercise of more than 33% (or such other percentage as may be prescribed in the *Malaysian Code on Take-Overs and Mergers 2016* as being the level for triggering a mandatory general offer) of the voting shares in a company and voting units in a unit trust scheme, or who is or are in a position to control the composition of a majority of the board of directors of such company.

Compliance with Bursa Malaysia's Regulatory Requirements by PLCs

To aid and facilitate listed companies during this challenging period, Bursa Malaysia announced relief measures to allow flexibilities in terms of compliance with *Bursa Malaysia Listing Requirements* (Listing Requirements).

The regulatory relief measures announced by Bursa Malaysia on 26 March 2020 and 16 April 2020 are as follows:

Time Extension for the Submission of Quarterly and Annual Reports

Bursa Malaysia granted time extensions to listed companies that did not have sufficient time to prepare and issue their financial statements.

- An automatic 1-month extension for issuance of quarterly and annual reports for the Main and ACE Markets, as well as semi-annual and annual audited financial statements for the LEAP Market (collectively known as 'Financial Statements') that were due on 31 March 2020.
- An extension until 30 June 2020 for submission of the Financial Statements of Main, ACE and LEAP Markets, that were due on 30 April 2020 and 31 May 2020.

Notwithstanding the time extensions granted, listed companies were required to comply with their continuing disclosure obligations under the Listing Requirements. The requirements also include the obligation to make immediate announcements of any material information and to ensure prompt communications on latest information to shareholders and investors.

Listed Companies with Unsatisfactory Financial Conditions

Acknowledging the difficult economic environment businesses are operating in, Bursa Malaysia has provided temporary relief to affected listed issuer from being classified as a Practice Note 17 (PN17) Listed Issuer if any of the following criteria under PN17 of the *Main Market Listing Requirements* is triggered (Suspended Criteria):

- Its shareholders' equity on a consolidated basis is 25% or less of its share capital (excluding treasury shares) and such shareholders' equity is less than RM40 million.
- Auditors have highlighted a material uncertainty related to going concern or expressed a qualification on the listed issuer's ability to continue as a going concern in its latest audited financial statements and its shareholders' equity on a consolidated basis is 50% or less of its share capital (excluding treasury shares).
- Default in payment by the listed issuer, its major subsidiary or major associated company, as the case may be, as announced pursuant to paragraph 9.19A, of the *Main Market Listing Requirements*, which led to the listed issuer being unable to provide a solvency declaration to Bursa Malaysia.

Listed issuers that trigger the Suspended Criteria from 17 April 2020 to 30 June 2021 will not be classified as a PN17 Listed Issuer. They will be accorded relief from complying with the obligations under paragraph 8.04 and PN17 of the *Main Market Listing Requirements* for a period of 12 months from the date of triggering the specified criteria, and are only required to make an immediate announcement when the specified criteria are triggered and the relief provided. Similar temporary relief from *Guidance Note 3* (GN3) classification under the *ACE Market Listing Requirements* was also granted by Bursa Malaysia for companies listed on the ACE Market. As at 31 December 2020, 13 companies have benefitted from the relief measures.

In addition, for listed issuers that triggered PN17/GN3 criteria other than the Suspended Criteria, or did not have an adequate level of operations as set out in paragraph 8.03A (8.03A Listed Issuers) of the *Main Market Listing Requirements* between 2 January 2019 and 31 December 2020, Bursa Malaysia extended the timeframe for submission of the regularisation plan from the existing 12 months to 24 months from the date when they first announced that they are PN17/GN3 Listed Issuers, or 8.03A Listed Issuers. A total of 17 PN17/GN3/8.03A listed issuers have benefitted from the relief measures.

Take-Overs and Mergers Requirements

As a result of the containment measures under the MCO, the SC had expected that there would be challenges to comply with certain requirements under the take-over provisions.

To ensure that take-over activities are able to continue during a possibly protracted period of business interruptions, the SC introduced flexibilities for those involved in a take-over activity to comply with the relevant regulatory requirements. Such flexibilities included the expanded use of technology, which complements the SC's ongoing efforts to facilitate more offerings of online services by the industry to the market.

Advisers were also encouraged to engage with the SC at the earliest opportunity to consult on any other anticipated difficulty in complying with any of the requirements under the CMSA or the Rules[2].

Digitisation of requisite take-over processes and documentation

In view of the challenges to bulk print offer documents and delivering the hard copy of such documents to shareholders during the MCO period, the SC had encouraged and facilitated take-over offers to be conducted digitally. In this regard, the SC had allowed for a hybrid method of serving take-over notices and documentations via electronic publication on dedicated pages through either the SC or Bursa Malaysia websites. This was done concurrently with a physical Summary Notification sent to all offeree shareholders to inform them of the offer and the availability of the relevant notices and documents on the relevant websites. Shareholders were also allowed to accept an offer either electronically or by the conventional method of responding via post.

Propagate use of electronic communication to shareholders and encourage electronic payment of cash consideration

In addition, the SC took the opportunity to encourage shareholders to register their email addresses with Bursa Malaysia Depository Sdn Bhd (Bursa Malaysia Depository) to further facilitate the use of electronic documents as a form of service. The statement to shareholders to register their email addresses was required as part of the Summary Notification to be sent to offeree shareholders.

At the same time, with the support of share registrars, shareholders were also encouraged to register or update their bank account details with Bursa Malaysia Depository for the purpose of cash dividend or distribution. In doing so, shareholders would be able to receive the consideration pursuant to a take-over offer directly into their bank accounts. Shareholders may register or update their bank account details via Bursa Malaysia's website or the Bursa Anywhere application. The advice for shareholders to register their email addresses and bank account details is still included in offer documents, forms of acceptance and transfer, as well as independent advice circulars.

[2] *Rules on Take-overs, Mergers and Compulsory Acquisitions*, SC, 2017.

Concession in accepting a declaration by Offerors in compulsory acquisitions due to unavailability of legal services

In terms of compulsory acquisition, regulatory relief was also granted particularly in relation to the requirement for a statutory declaration to be submitted under section 222(1)(B) of the CMSA. As the SC was cognisant of the uncertainty in terms of the availability of legal services during the early days of the MCO period, offerors instead were allowed to submit a declaration addressed to the SC, to confirm that all required conditions have been fulfilled.

Regulatory Relief Measures on Products

In 2020, the SC had allowed for flexibilities in complying with timelines of certain regulatory requirements in relation to the issuance of capital market products.

CORPORATE BONDS AND SUKUK

In relation to the Lodge and Launch (LOLA) Framework, flexibilities included the extension of implementation timeframe for issuance, extension of timeline to submit post-issuance notices, redemption notices and copies of Fully Automated System for Issuing / Tendering (FAST) announcements.

In addition, the SC also granted flexibilities to issuers in complying with the timeline of submission of quarterly reports to the trustee, SSM and the SC.

STRUCTURED WARRANTS

Under the CMSA, structured warrants issuers are required to lodge with the Registrar of Companies, a copy of the prospectus registered by the SC before the issuance date of the prospectus. The SC granted relief to issuers subject to the following conditions:

- Issuers to notify the SC after the launch of the structured warrants and its listing on Bursa Malaysia Securities.
- Issuers to lodge the registered base prospectus, the supplementary base prospectus and term sheets with the Registrar of Companies within 14 days from the date the MCO is uplifted.

STRUCTURED PRODUCTS

Additionally, structured product issuers were also granted various extensions of time for the submission of monthly post-issuance reports required under the *Guidelines on Unlisted Capital Market Products Under the LOLA Framework*.

REAL ESTATE INVESTMENT TRUSTS

On 12 August 2020, the SC announced a temporary increase in the gearing limit for Malaysia's real estate investment trusts (M-REITs) from 50% to 60%. The temporary increase was made available until 31 December 2022.

The temporary increase in gearing limit will provide M-REITs greater cash flow flexibility and allow M-REIT managers to manage their REITs' debt and capital structures more efficiently. Notwithstanding the temporary increase in gearing limit, the SC expects managers of M-REITs to consider sustainability of the REIT in the best interest of unitholders, before taking on any additional debt.

Easing Cost and Regulatory Burden

The negative impact of the COVID-19 pandemic on businesses also led the SC to introduce measures that would ease the cost burden on market participants. Specifically, the SC granted a waiver of annual licensing fees for 2020 on the core regulated activity of all Capital Markets Services Licence (CMSL) entities with a Profit Before Tax of RM5 million or less during Financial Year 2019.

A qualifying CMSL entity that had already paid for the annual licensing fee of RM2,000 per core activity prior to this relief measure was offered a credit to offset 2021's licensing fees. As at 31 December 2020, a total of 220 CMSL entities were eligible. The SC had already waived the annual licensing fee for 109 CMSLs at their respective anniversary dates.

The SC had also granted a waiver of the annual licensing fees for Capital Markets Services Representative's Licence (CMSRL) holders for the Year 2020. Similarly, qualifying CMSRL holders who had already made the annual payment of RM200 prior to this announcement were offered a credit to offset licensing fees for 2021. As at 31 December 2020, this programme has benefitted at least 9,710 eligible CMSRL holders.

Additionally, other flexibilities were given in terms of adherence to the Continuing Professional Education (CPE) points requirements and deadlines extended for regulatory filings and submissions to the SC.

Reduction of CPE points requirement for all CMSRL holders and ERPs

The annual minimum CPE points requirement was reduced from the current 20 CPE points to 10 CPE points, effective 1 July 2020 for 12 months for all CMSRL holders and Employees of Registered Persons (ERPs). This would benefit a total of approximately 9,734 CMSRL holders and 5,068 active ERPs in the market.

Reduced requirement for minimum training days

For the Trading Representatives (TR) and Marketing Representatives (MR), the SC reduced the requirement for minimum training days from the current five to three days, effective 1 July 2020 for 12 months. As at 31 December 2020, this benefitted approximately 107 TRs and 464 MRs.

Increased offering of online courses or web-based learning as an alternative avenue towards complying with training requirements

In facilitating licensed persons to meet their training needs, the SC had agreed for the Securities Industry Development Corporation (SIDC) to offer more online courses or web-based learning, and the recognition of the Competency Management System by CMSRL holders and ERPs as an alternative avenue towards securing the requisite CPE points. Additionally, recognition was given to CPE approved courses as equivalent to a one-day training for TRs and MRs until 30 June 2021. The SC also facilitated and recognised online Familiarisation Programmes for TRs and MRs (e-FPTR and e-FPMR) as part of the entry requirements to be registered with the SC.

Deadlines extended to fulfil requirements on regulatory filings

The SC took cognisance of the challenges that industry participants faced to fulfil the requirements on regulatory filings. The SC had granted flexibilities by extending deadlines, including those in relation to regulatory filings and submissions to the SC such as the quarterly, semi-annual and annual reports, auditor reports and activity reports, as well as compliance with training requirements.

To ensure continuity of registration activities in the unit trust industry, the SC had approved Federation of Investment Managers Malaysia's (FIMM) proposal for a temporary waiver to the requirements of FIMM's Registration Manual in May 2020. The waiver allowed for the dispensation of the requisite hard copy documents for registration matters until 14 business days after the MCO was lifted. Meanwhile, registrants were only required to submit duly executed statutory declarations when applying for re-registration as a unit trust scheme and/or private retirement scheme (PRS) consultants. Additional complementary measures included the allowance of online submissions of all registration related matters by Distributors. These flexibilities were extended until 31 December 2020, in response to the necessary containment measures imposed by the Malaysian Government throughout the year.

Flexibilities On Margin Financing Requirements

The SC continued to engage closely with the industry to better appreciate the challenges and concerns faced by investors and intermediaries during the pandemic. This allowed the SC and Bursa Malaysia to formulate and introduce appropriate regulatory relief measures to help market participants tide over this difficult period. The prevailing uncertainties surrounding the economy had directly affected investor sentiments, leading to selling pressure and in turn, adversely impacting share prices. Investors with margin accounts were at risk of force selling pressures, which would potentially lead to significant financial losses.

On 26 March 2020, the SC approved additional measures by Bursa Malaysia for the temporary easing of margin requirements. These measures were not only aimed to mitigate the force selling pressure on the market but also allowed margin clients to offer other types of collaterals to protect their investments. The above modifications took effect from 27 March to 30 September 2020, and has subsequently been extended to 30 June 2021. The waivers and modifications were subject to the stockbrokers' continuing obligations to comply with the minimum requirements on capital adequacy and shareholders' funds at all times.

RULE MODIFICATIONS ON MARGIN FINANCING REQUIREMENTS

Modifications were made to the rules, which enabled stockbrokers to apply appropriate discretion in managing their clients' margin positions, subject to stockbrokers' respective credit risk management framework.

Concession on PRS Withdrawals

In line with the Government's efforts to alleviate Malaysians from facing financial constraints due to the impact of the health crisis, PRS members were permitted to withdraw up to RM1,500 from their sub-account B with each PRS provider without incurring a tax penalty. The withdrawal was permitted from April to end December 2020, to provide short-term financial relief for its members during the challenging economic environment.

CONTINUITY OF INTERMEDIARIES' OPERATIONS

Uninterrupted Operations Through Business Continuity Preparedness

To ensure the operational resiliency of market intermediaries, the SC outlined expectations on business continuity through its *Guiding Principles of Business Continuity* issued in 2019. This document outlines six principles including one that requires capital market entities to identify potential risks that may result in major operational disruptions. Any adverse impacts and implications from such disruptions should be thoroughly assessed and analysed. Risk mitigation and management plans should also be embedded within the respective business continuity approaches adopted by capital market entities. In view of the preparedness by market participants, they were able to adapt swiftly and reorganise operations effectively during the pandemic.

The SC also took steps to protect investors by ensuring that market intermediaries continued to operate in an orderly manner. In doing so, the SC proactively reviewed the firms' contingency plans for dealing with such disruptions, including the continuity of the intermediaries' operations and their ability to communicate with and support employees working remotely. The SC expects intermediaries to conduct frequent testing to ensure that essential business activities and resources continue to function effectively without compromising investors' interests. Intermediaries were reminded to promptly notify the SC if business continuity plans were activated.

Affected intermediaries were also required to provide the SC with periodic progress reports until normality returns.

The disruptions from movement restrictions and physical distancing necessitated many businesses to facilitate remote working arrangements for their employees. Intermediaries operating under such conditions were expected to have in place adequate policies and procedures on record keeping as well as controls over the security and confidentiality of clients' data and information.

Guidance for Market Participants to Operate During MCO

On 8 May 2020, the SC issued the *Guidance for Standard Operating Procedures on Health and Safety Measures Against COVID-19 Pandemic for Capital Market Participants* (Guidance). It outlined the health and safety measures in line with the Government's efforts to curb the spread of the virus, in addition to the steps to be taken in planning and managing the return to operations at full capacity. The Guidance was issued after the Government imposed the CMCO from 4 May 2020, and it was subsequently updated following the RMCO phase on 10 June 2020.

Based on the Guidance provided, market participants are required to develop and communicate clear internal standard operating procedures (SOPs) on health and safety measures at the workplace, particularly with regards to dealing with employees, agents and external parties. The Guidance was in addition to the SOPs and directives issued by the Malaysian National Security Council (MKN).

In adhering to the SOPs issued by the relevant authorities, market participants were advised to apply appropriate health and safety measures commensurate with the complexity and size of their business operations, number of branches and customers, governance structure and workplace setting. The measures were premised on the need to observe physical distancing, good hygiene practices and proper record keeping for contact tracing. Market participants were advised to monitor the developments and guidance issued by the World Health Organisation, MKN, Ministry of Health and other authorities, and where appropriate to reflect these in their SOPs.

MANAGEMENT OF COVID-19 AT THE SC

When domestic COVID-19 cases first surfaced in late January 2020, the SC promptly activated its business continuity plan. A taskforce was formed to formulate and implement mitigating measures, provide advice to the SC management as well as keep staff and stakeholders informed of pertinent developments in a timely manner.

The taskforce aims to centrally co-ordinate the SC's operations under a safe environment for its staff and stakeholders. The taskforce is also responsible for the identification of emerging threats and development of best practices in response to the rapid changes in circumstances and environment. This included daily briefings to the management on the COVID-19 situation focusing on Risk Assessment, People and Premises as well as Technology.

RISK ASSESSMENT

The taskforce developed potential scenarios and corresponding responses in terms of working arrangements and related SOPs. Expanding from the SC's enterprise business continuity strategy, changes in responses will be commensurate with varying alert levels based on the gravity of the pandemic situation. The structured approach to the type of responses and alert parameters provided clarity, leading to swift application of SOPs by its staff in accordance with the prevailing conditions. Continuous risk assessments were also carried out to ensure that key health and safety risks were identified and mitigated with appropriate measures.

TECHNOLOGY

In order to complement work from home (WFH) arrangements, additional equipment and applications were deployed. Strict protocols and procedures to ensure integrity of data and information were also imposed. Periodic advisories were issued to increase staff awareness and vigilance towards potential cyber threats related to remote access work environments.

The technology infrastructure was further enhanced and upgraded to accommodate a greater need for remote access and collaboration tools such as video facilities to support online meetings, webinars and other virtual events.

PEOPLE AND PREMISES

In order to manage density at the workplace and ensure physical distancing between staff members, the SC initially adopted tiered-team working arrangements based on the criticality of business functions. As conditions evolve, the arrangements matured to a flexible split-team working structure, with priority to WFH given to staff with young children or staying with elderly parents. Policies on home quarantine and COVID-19 swab test protocols were also developed.

Additionally, the SC facilitated the return of the SC's scholars studying abroad during the pandemic. Support was also given to ensure the safety and well-being of those who were not able to return home.

A two-way communication channel was created for all SC staff to be kept informed of developments, raise concerns, seek advice or report cases of close contact with COVID-19 positive cases. To mitigate the risk of front-facing staff being exposed to the virus, the SC ensured that such staff were trained on best practices when dealing with external parties during a pandemic situation, while maintaining a high degree of professionalism.

A Return to Work Guide was developed to help staff adjust and familiarise themselves with the return-to-work arrangements, including recommendations on safe and conducive work space arrangements. Reminders to observe physical distancing were also posted at common areas.

MONITORING AND MANAGEMENT OF RISK

Intensified Surveillance of Systemic Risk in Ensuring Market Resilience

The GFC in 2007-2009 highlighted that systemic risk is an important concern given the complex inter-linkages and inter-connectedness of the financial system. Since then, the focus has been given to address the risk of failure of financial institutions within the system that could result in a severe systemic concern.

However, the COVID-19 situation at the beginning of 2020 has given rise to a new dimension of systemic risk concern. The pandemic has caused countries globally to resort to partial or full lockdown to contain the spread of the virus. It has drastically reduced the level of economic activities, subsequently causing a fall in asset prices and in turn, gradually leading to potential vulnerabilities in the capital market. Over the period of lockdowns, there has also been an increase in retail investors' participation in the stock market across the globe.

Against this backdrop, the SC enhanced its vigilance to monitor uncertainties and volatility in the capital market arising from geopolitical concerns and global responses to COVID-19. Early detection of emerging risks, trends and vulnerabilities is vital at this stage to prevent any build-up of systemic risks. The crisis simulation exercise carried out in 2019 had also equipped the SC with better preparedness to manage current market conditions.

Over this period, the SC's Systemic Risk Oversight Committee (SROC) met frequently to deliberate concerns emanating from various segments across the capital market, including identifying potential stress points and calibrating appropriate responses to manage or mitigate potential and emerging risks. Monitoring intensified for the domestic equity and bond markets, foreign fund flows, trade participants and commodities prices, while keeping watch on COVID-19-related specific regulatory interventions in other jurisdictions. Analysis and assessments also cut across other asset classes, which included the fall of oil prices due to shrinking demand caused by the lockdowns and the surge of alternatives assets such as gold and digital currencies.

Joint regulatory discussions continued to be conducted in 2020 with other authorities such as BNM and Labuan Financial Services Authority (Labuan FSA) through the Macro Risk Focus Group and Financial Stability Committee respectively. The SC also carried out regular engagements with market participants, taking into consideration the dynamic feedback mechanisms in identifying potential areas of systemic risk within the financial and capital markets in Malaysia.

These have enabled the SC to make proactive and measured decisions on appropriate regulatory and policy responses such as the temporary suspension of short selling and revision of price and circuit breaker limits. Pursuant to that, the capital market continued to operate in a stable, fair and orderly manner.

Assessment of Corporate Bond Market

Given the potential impact of COVID-19 on debt issuers, the SC proactively monitored corporate bond issues originating from vulnerable business sectors such as oil and gas, retail and hospitality as well as aviation.

Several corporate bond issuers had requested investors' indulgence for exemptions in either payment of coupon, profit or principal or extension of time to meet agreed upon financial ratios as well as other forms of refinancing. These corporate bond issues, however, make up a very small portion of the corporate bond and sukuk market, which demonstrated the overall strength and diversity of the bond market despite economic downturn.

Six rating downgrades were observed in 2020 compared to seven in 2019. Out of these downgraded issuers, three originated from the retail and hospitality industry, two from infrastructure and one asset-backed security. As for the rating outlook, there were 16 downward revisions in corporate bond outlook in 2020 compared to six in 2019. Of these revisions, five issuers were revised from positive to stable outlook, and 11 issuers revised from stable to negative outlook.

Risk Assessments on Various Components of the Capital Market

EQUITY MARKET AND INFRASTRUCTURE

- Sufficient domestic liquidity to facilitate efficient investment activities.
- Market-wide circuit breaker and price limit on equity are in place as part of the risk management mechanism to address excessive market volatility. In 2020, no circuit breaker was triggered.
- Securities and Derivatives Clearing Guarantee Funds are available to manage any sudden surge of stress.

BOND MARKET

- Yield movements were in line with other regional markets amid accommodative monetary policy.
- Corporate bond default rate remained low.

LISTED COMPANIES

- Corporate earnings in 2020 were significantly impacted by business disruptions due to the implementation of MCO, particularly in Q2 2020 where a year-on-year decline of over 70% in earnings was reported. In Q3 2020, PLCs' earnings recorded a quarter-on-quarter recovery exceeding 260%, mainly attributed to the resumption of businesses and continued demand for medical gloves.

INVESTMENT FLOWS

- Foreign equity holding fluctuated below its 5-year average amid continuous net outflows from the equity market.
- Foreign outflow in equity is consistent with other emerging markets. Ample domestic liquidity provided by local institutions and retail investors.
- Foreign holding in the bond market is below the 5-year average mainly due to the large volume of MGS that matured.

INVESTMENT MANAGEMENT

- Fund managers have measures in place to manage liquidity risk i.e. liquidity management framework to safeguard against any adverse market conditions.
- Cash and liquid assets held are sufficient to meet investors' redemption.
- The stress test results indicated that under various stress scenarios, funds are able to meet redemptions by investors.

STOCKBROKING INTERMEDIARIES

- Stockbrokers are well-capitalised, supported by sufficient liquidity buffers to address any realised or potential losses that may arise during times of stress.
- The current risk-based capital position remained above the prescribed minimum financial requirements.

Assessment of PLCs for Resiliency and Integrity

The pandemic containment measures gave rise to potential risks to the sustainability of businesses and operations of PLCs. Sudden business failures due to the challenging economic conditions may result in losses to investors in both the equity and bond markets. In addition, some listed companies sought business opportunities beyond their core principal activities and announced new ventures into health-related segments that support the fight against COVID-19. The increase in such activities and announcements may lead to disclosure risks in relation to the quality of information needed for investment decisions.

Accordingly, targeted surveillance and risk assessments were carried out on financial resilience and debt exposures of PLCs as well as the adequacy of disclosures to enable informed investment decisions.

Stress testing of financial resilience of PLCs

Monitoring of listed companies in high risk sectors such as hospitality and aviation were intensified, to assess their ability to withstand the financial stress. Listed companies' financial strength and agility were reviewed using financial modelling with a range of contractions in GDP for 2020. While the results of the stress test provided an early indication of the vulnerable listed companies, the SC noted that the market capitalisation of the affected companies did not form a significant portion of the overall market capitalisation of Bursa Malaysia Securities.

As part of the stress testing, the SC also evaluated PLCs' leverage positions and their ability to repay short-term debts. Based on the outcome of the evaluation, a number of listed companies with high debt exposures were identified for further risk assessment and monitoring.

Review of disclosures by listed companies venturing into health-related businesses

Given the increase in announcements by listed companies venturing into health-related businesses, the SC actively monitored and reviewed such announcements to ensure that timely, adequate and accurate information was disseminated to investors.

In June 2020, Bursa Malaysia issued an *Issuers Communication Note on Disclosure Guidance on COVID-19 Related Impacts and Investments* (Disclosure Guidance) to provide guidance and clarity to listed companies when making COVID-19 related disclosures. Furthermore, the Disclosure Guidance serves to aid and facilitate clear, balanced, fair and full disclosures to the public.

Intensified Supervisory Focus on Intermediary Risk

Supervisory focus was to ensure risks were being managed appropriately by intermediaries and that they are able to comply with their regulatory obligations despite the difficult operating environment. Accordingly, the SC adopted a more facilitative approach to better understand the operational challenges faced by the industry.

In doing so, data collection and analytics efforts were intensified. The increased frequency of data collection from intermediaries, led to swift and informed decisions on appropriate measures required to safeguard the stability of the capital market and importantly, investors' interests. For example, on 9 April 2020, the SC had issued a *Circular to Fund Management and Unit Trust Management Companies* to reiterate its expectations for intermediaries to observe among others, the principles of fair treatment of investors, practise clear and open communications, and maintain a robust client asset protection framework. Intermediaries were also reminded to properly manage the liquidity of their funds to ensure sufficiency in meeting investors' redemption requests.

Various scenarios were analysed to assess possible risk-induced events. Among others, a key area of concern was the vulnerability of the intermediaries and their clients to volatile swings in market conditions.

To that end, the SC remained in close contact with all the stockbroking intermediaries to ensure that margin financing exposures are in line with the intermediaries' risk appetite and collateral buffers.

LIQUIDITY RISK MANAGEMENT FOR FUNDS

- On 9 April 2020, the SC issued a circular to Fund Management Companies to highlight the **importance of managing funds' liquidity**, especially in mitigating potential mismatches between liquidity of the funds' underlying assets and redemption terms.
- Management companies were required to **alert the SC on any material issues or anticipated adverse circumstances** relating to the funds under their management.

The SC's key concerns focused on the **availability of liquid assets** in tandem with redemption patterns especially funds invested in thinly traded and riskier asset classes. Thus, the SC had intensified monitoring of funds liquidity risk since the beginning of MCO by:

- **Increasing reporting frequency to daily submissions** in order to receive up-to-date data on funds movements in investment holdings.
- Tighter scrutiny of funds by **setting stricter triggers** based on reported data.
- Requiring management companies to communicate with the SC in timely manner should there be **large redemption of funds and furnish the SC with relevant information** to demonstrate their capability in meeting redemption requests.

Based on the SC's continual monitoring:

- All funds have **proven to be resilient** through stressed market conditions.
- Systemically important financial institutions (SIFI) have shown that they **can readily conduct Fund Liquidity Test** with sets of mitigating actions to address the outcome of the test.
- Management companies were well aware of the best practices, Liquidity Risk Management (LRM) tools and contingency plans to ensure they were able to **meet redemption request in an orderly manner** while prioritisng fair treatment to all investors.

Capital Adequacy of Intermediaries

At the onset on the COVID-19 outbreak, the SC had promptly taken steps to assess the potential impact on intermediaries' financial positions. Throughout the period, the SC continued to perform enhanced stress testing on the financial position of stockbrokers as well as the adequacy of their action plans and risk management tools. The SC also assessed brokers' action plans to meet their capital needs should any of the stress scenarios materialise.

The SC expects stockbrokers to have in place adequate risk management controls, carry out prudent risk management measures, and maintain sufficient resources. Stockbrokers were found to have generally adopted dynamic risk parameters in line with heightened trading volume. In addition, they have continued to remain cautious in managing risk exposures in periods of high volatility.

Stockbrokers were also observed to have in place comprehensive risk management frameworks, which included the establishment of Risk Management Committees and functions. In this regard, stockbrokers had independently undertaken measures such as imposing security requirements against credit risks.

Towards this end, the industry average of risk weighted capital ratio (RWCR) of investment banks and capital adequacy ratio (CAR) of non-investment banks remained above the minimum requirement.

Ensured High Quality of Audit Conducted on PIEs

Mobility restrictions under the MCO had resulted in audit teams having limited or no access to their clients' books and records, thus, potentially affecting the progress, quality and completion of audit engagements within the planned timelines.

In April 2020, the SC's Audit Oversight Board (AOB) issued an Alert to auditors and public-interest entities (PIEs) regarding the importance of ensuring high quality audit on financial reports of PIEs under the prevailing challenging circumstances. The Alert also served to communicate the areas of focus that auditors and Audit Committees of PIEs may wish to pay particular attention to when discharging their responsibilities.

The AOB also faced its challenges of working under strict health and safety SOPs, which resulted in limited physical engagements with stakeholders and a reduction in time to complete the planned inspection programmes. Notwithstanding this, the AOB continued to discharge its regulatory functions by leveraging technology such as video conferencing for discussions or engagements with audit firms and adapting its inspection approach in 2020 to:

Increase the utilisation of data analytics to facilitate offsite monitoring of PLCs and their respective auditors; and

Incorporate thematic reviews in relation to the impact of COVID-19 and MCO to audited financial statements and auditor's reports.

A total of four audit firms and 242 audit engagements were scoped in the AOB's thematic reviews on the impact of COVID-19. The thematic reviews revealed gaps in a number of the auditors' verification of the PIE's going concern assumptions and impairment assessments, as well as the adequacy of subsequent event disclosures in the audited financial statements. Additionally, the AOB continued with inspections and covered 10 audit firms and 19 audit engagements.

GLOBAL CO-ORDINATION IN REGULATORY RESPONSE TO COVID-19

The COVID-19 pandemic caused the global financial system to experience its biggest stress event since the global financial crisis. While the cause did not emanate from the financial sector, the pandemic had created a tumultuous environment in the financial markets.

Members of the International Organization of Securities Commissions (IOSCO) including the SC co-operated to manage their responses to the risks and challenges faced by the capital markets. IOSCO is the leading international standard-setter for securities regulation, whose membership regulates more than 95% of the world's capital markets worth around US$140 trillion, in approximately 120 jurisdictions.

The pandemic highlighted the importance of global co-ordination in regulatory responses during times of market stress. Throughout extreme volatility, international regulators through IOSCO reinforced the importance of ensuring markets remain open and continue to function in an orderly manner to enable participants to price and transfer risks across asset classes. Global regulators also focused on ways to provide appropriate flexibility to help market participants address challenges arising from the pandemic. These included, among others, adjusting onsite inspections, oversight requirements, and providing flexibility on requirements related to AGMs, as well as ensuring high quality financial reporting and disclosure obligations are maintained.

As an elected member of the IOSCO Board, the SC participated in frequent information-sharing with its peers from both developed and emerging market jurisdictions to identify and mitigate issues arising from COVID-19. These included the development of IOSCO's COVID-19 repository of measures that global regulators have taken to mitigate risks to investor protection, market integrity and financial stability. The repository covered the types of measures, rationale and impact these measures have had on respective markets.

Among IOSCO's other priorities during the year were to address areas of market-based finance that are most exposed to heightened volatility, constrained liquidity and the potential for pro-cyclicality. These included examining investment funds as well as margin and other risk management aspects of central clearing for financial derivatives and other securities. Following the publication of the earlier *Report on Sustainable Finance and the Role of Securities Regulators and IOSCO*, IOSCO's newly established Board-level Sustainable Finance Task Force, which the SC is a member of, is also taking forward work on disclosure, greenwashing and ESG ratings, among others.

Substantial resources are also devoted to retail investor protection, particularly given the growing retail participation in global capital markets. To this end, the IOSCO Board's Retail Market Conduct Task Force is examining how the market turmoil caused by COVID-19 has given rise to increased misconduct in financial services for retail investors.

The SC's active participation in these areas has allowed the organisation to gain valuable insights on global regulatory developments and policy measures taken, including their effectiveness. It has helped shape its responses for the Malaysian capital market and ensured that its policies are in line with global practices.

The SC also continued to enhance its supervisory efforts through participation in regional supervisory colleges, and regular dialogues on strategic and thematic supervisory issues to keep abreast of supervisory developments across the region. In 2020, the SC with other international regulators conducted a follow-up review on market intermediaries' responses and action plans to the supervisory college feedback as well as the operational challenges arising from COVID-19 and emerging supervisory concerns.

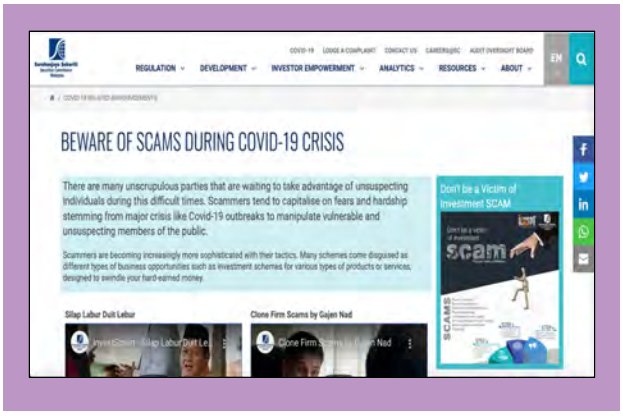
In 2020, to have the maximum reach, the IOSCO Asia Pacific Hub (The Hub) hosted by the SC in its premises, leveraged heavily on technology to undertake its capacity-building activities. The Hub produced a series of webcasts on the implications and various issues of COVID-19, including the outlook to regional financial markets, financial reporting and disclosures, cyber security, retail investor protection and sustainable finance.

INVESTOR PROTECTION AND MARKET INTEGRITY

Investor Protection Through Investor Alerts and Public Complaint Hotline

Complaints management remains a critical function in supporting the SC's investor protection mandate. Given the increase in potential scams perpetrated by those seeking to prey on vulnerabilities arising from the COVID-19 pandemic, it was important that the SC's complaints management process remain operational throughout the MCO period. This is to ensure that appropriate recourse channels are available to the investing community and public at large. Other than walk-in complainants, the SC continued to attend to public complaints or enquiries received through the *Aduan* telephone hotline or email.

Several initiatives were introduced to communicate anti-scam awareness messages to the public. These were conducted through television, radio, social media platforms and websites including the anti-scam dedicated page on the SC's website and a 3-week anti-scam awareness campaign on major television channels.



Refer to the full list of the SC's investor education initiatives in 2020 under InvestSmart® in Part 5 of this annual report.

Strengthening Oversight on Cyber Resilience

Given increasing cyber threats in the financial market globally, the SC continued to facilitate the cyber resiliency of capital market entities as well as safeguarding investors' interests. The SC stepped up its efforts to protect investors from those looking for gaps to exploit, particularly arising from operational disruptions and increased reliance on online investment activities due to remote working arrangements. An advisory was issued to all market participants to take the necessary counter-measures against the threat of malicious activities such as the creation of fake websites and malware. If left unmitigated, such cyber-related risks may potentially cause significant business disruptions, loss of sensitive data, financial losses to investors and reputational damage to market participants.

With employees returning to work and accessing corporate networks following the RMCO in June 2020, the SC continued to advise market participants to remain vigilant against potential risk of dormant malware that may have been unwittingly installed into personal devices or computers during remote working conditions. Such malware may be designed to activate upon connection to corporate networks, leading to cyber security incidents.

The SC undertook a review by way of a self-assessment questionnaire to assess capital market entities' level of compliance to the SC's *Guidelines on Management of Cyber Risk* (Cyber Risk Guidelines). Pursuant to the review, the SC continues to engage the relevant capital market entities to ensure they comply with the SC's Cyber Risk Guidelines.

Assessments were also conducted on new entrants to the capital market in terms of their levels of maturity towards cyber resilience. The assessment enables such entities to identify any vulnerabilities and formulate new controls and mitigation measures. In relation to the cyber resilience of regulated digital asset exchanges (DAX), the SC's oversight efforts are focused on their management of digital asset key encryption. Cyber incident reports are continually received and monitored by the SC, resulting in issuance of thematic advisories and communication to capital market intermediaries such as cyber hygiene best practices.

The SC will continue to engage and work closely with capital market entities to assess their risk management, and IT policies and practices to ensure that crucial systems are able to deal with potential cyber risks.

Capital Market Cyber Simulation 2020

The SC hosted the third annual Capital Market Cyber Simulation (CMCS) exercise for the capital market entities in collaboration with Cyber Security Malaysia (CSM) and National Cyber Security Agency (NACSA). Several simulation incidents were conducted with a focus on real-life WFH scenarios to ensure participants' capability to respond and remediate cyber security incidents.

Selected participants were invited to take part in the CMCS 2020. The exercise provided participants an opportunity to experience real-life cyber threats, test out internal procedures, deploy technical capabilities to analyse and resolve the incidents.

Overall the SC has observed year-to-year improvement in the participants' performance despite increasingly challenging simulated scenarios. The participants have learned the importance of communication and prompt actions to mitigate the incidents.

CYBER HYGIENE BEST PRACTICES

AWARENESS
Awareness of board members, senior management, staff and contractors to improve the maturity levels

INVENTORY AND AUTHORISED DEVICES
Device tracking and control

SECURITY STANDARDS
Tightening and continuous review of rules

MALWARE PROTECTION, PATCH AND VULNERABILITY MANAGEMENT
Mitigation of malware infection

NETWORK SECURITY MANAGEMENT
Network monitoring and security

IDENTITY MANAGEMENT AND CONTROLLED USE OF PRIVILEGED ID
Access management and monitoring of activity

BACK UP AND RESTORE
Data storage and restoration capability

INCIDENT RESPONSE AND HANDLING
Incident surveillance and escalation

CREATING GREATER PROSPERITY FOR THE REGION AND FACILITATING ECONOMIC RECOVERY POST COVID-19

In 2020, Malaysia served as the Chair of the Asia-Pacific Economic Cooperation (APEC) – the co-operative economic and trade forum with 21 members aimed at creating greater prosperity for the region.

Themed 'Optimising Human Potential towards a Resilient Future of Shared Prosperity: Pivot. Prioritise. Progress.', the APEC Finance Ministers' Meeting 2020 (APEC FMM 2020) was held virtually on 25 September 2020. The APEC FMM 2020 focused on the economic implications of COVID-19 and policy responses taken by APEC economies in mitigation and recovery, as well as the enhanced role of digitisation to address the impact of the pandemic. Chaired by Malaysia's Minister of Finance, attendees included Ministers of Finance and senior policymakers from all APEC economies as well as international organisations. The SC formed part of the Malaysian delegation.

Within the context of the Malaysian capital market, initiatives highlighted were measures taken during the pandemic to ensure the capital market continued to function effectively and support the real economy.

In the Virtual Finance Ministerial Statement, APEC economies emphasised the need to continue exchanging experiences and good practices. It also encouraged co-ordinated multilateral co-operation towards ensuring a strong and sustainable economic recovery. APEC economies reiterated their determination to continue using available policy tools to support immediate responses to the pandemic, including for those in vulnerable segments of society. APEC economies also recognised that the pandemic had accelerated the digitisation of economies. Measures with digitisation elements aimed to help businesses, especially SMEs, navigate the impact of COVID-19 were also underscored.

The APEC FMM 2020 focused on the economic implications of COVID-19 and policy responses taken by APEC economies in mitigation and recovery, as well as the enhanced role of digitisation to address the impact of the pandemic

ENSURING STABILITY AND CONTINUITY DURING COVID-19

The SC took swift action to help alleviate immediate challenges and risks faced by the capital market and its participants, focusing on continued orderly function of the market, regulatory relief measures, continuity in operations of market institutions and intermediaries, market and liquidity risks as well as investor protection.

PART

03

MAINTAINING MARKET INTEGRITY AND GOOD GOVERNANCE

PART 03 MAINTAINING MARKET INTEGRITY AND GOOD GOVERNANCE

INTRODUCTION

Maintaining market integrity and good governance remains a priority for the SC as it continues to drive high standards of governance and accountability among all market participants.

In 2020, the SC continued to strengthen its supervision and surveillance approach as well as capabilities, to ensure that the capital market operates in a fair and orderly manner while responding to the COVID-19 pandemic.

The SC also undertook regulatory reforms and initiatives to facilitate digitisation in the capital market, strengthen accountability and integrity, and accelerate the adoption of good corporate governance (CG) practices.

PROMOTING GOOD GOVERNANCE AND CONDUCT

Monitoring Adoption of Corporate Governance Best Practices

The SC released the annual *Corporate Governance Monitor 2020* (CG Monitor 2020) report that highlighted, among others, an increase in the adoption of the *Malaysian Code on Corporate Governance* (MCCG). This includes the Step Up practices, the two-tier voting process and board practices to determine the remuneration of directors and senior management.

The CG Monitor 2020 also presented observations on three thematic reviews in relation to the adoption of two-tier voting, board remuneration of listed companies on the FTSE Bursa Malaysia Top 100 Index and the conduct of fully virtual general meetings by listed issuers since the MCO.

The review on board remuneration shows that the total board remuneration in 2019 decreased by 11.7% compared to 2018 largely driven by the decrease in executive directors' remuneration by 14.5%, while non-executive directors' remuneration increased by 6.2% in 2019.

The report also provided an update in relation to gender diversity on boards. As of 31 August 2020, minor improvements were observed in the participation of women on boards with women holding 24.82% of board positions on the top 100 listed companies, and 16.96% across all listed companies. There were also five companies with all-male boards on the top 100 listed companies, namely Comfort Glove Bhd, Focus Dynamics Group Bhd, Frontken Corporation Bhd, Guan Chong Bhd, and Pentamaster Corporation Bhd. As at 31 December 2020, Guan Chong Bhd had appointed two women directors on its board while the remaining four companies still had all-male boards.

HIGHLIGHTS FROM THE CG MONITOR 2020

The *Corporate Governance Monitor 2020* reports on the adoption of the MCCG by listed companies based on the disclosures made in their Corporate Governance Reports 2019.

Gender diversity on boards[1]

682
(2018: 634)
listed issuers have at least one woman director on the board

Percentage of women on board

24.82%
(2018: 23.68%)
Top 100 listed issuers

16.96%
(2018: 15.69%)
All listed issuers

Percentage of women on board	less than 30%	between 30% and 50%	more than 50%
Number of listed issuers	**772**[2] (2018: 791)	**150** (2018: 129)	**15** (2018: 16)

Number of listed issuers with all-male boards

Overall	**255** (2018: 296)
Top 100	**5**[3] (2018: 0)

MCCG adoption

27
(2018: 27)
MCCG best practices were adopted by more than 70% of listed companies

78%
(2018: 74%)
of listed companies adopted at least one Step Up practice

37
(2018: 12)
listed companies have adopted at least three Step Up practices

Best practices with the most improved level of adoption

↑ 11.6%
Practice 8.2

Audit Committee policy requiring former key audit partner[4] to observe cooling off period of at least two years before being appointed as a member of the Audit Committee.

↑ 9.8%
Practice 6.1

The board has policies and procedures to determine the remuneration of directors and senior management.

↑ 9.1%
Practice 4.5

The board discloses its gender diversity policy, targets and measures. For Large Companies, the board comprises 30% women directors.

Note:
[1] Data as at 31 August 2020.
[2] 772 inclusive of listed issuers with all-male boards.
[3] Comfort Glove Bhd, Focus Dynamics Group Bhd, Frontken Corporation Bhd, Guan Chong Bhd and Pentamaster Corporation Bhd.
[4] The engagement partner, the individual responsible for the engagement of quality control review, and other audit partners, if any, in the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial statements, which the audit will express an opinion.

Two-tier voting

498[6]
Independent directors with tenure of more than 12 years

Tenure	Number of directors	Reappointment using[5]: Two-tier	Reappointment using[5]: Simple majority
between 13 and 20 years	416	218	148
between 21 and 30 years	77	50	20
between 31 and 40 years	3	0	2
more than 40 years	2	0	2

41
(Total 2018: 164; 2019: 181)
listed companies used the two-tier voting process for the first time in 2019

268
(2018: 242)
resolutions were voted using the two-tier voting process

Board remuneration of FTSE Bursa Malaysia Top 100 Index (FBM 100) companies

Total board remuneration decreased by
11.7%

Total remuneration received by

Executive directors	Non-executive directors
↓ 14.5%	↑ 6.2%

Median board remuneration

Overall	Industrial Products & Services	Telecommunications & Media	Property & Plantation
RM7.4 million	RM11.0 million	RM10.8 million	RM8.5 million

Note:
5 Latest available data as at 31 December 2019.
6 As at 1 January 2019.

Implementation of the SC's Corporate Governance Strategic Priorities

The SC continued to implement initiatives identified in the SC's *Corporate Governance Strategic Priorities 2017-2020* (CG Priorities). In 2020, measures were undertaken to strengthen the CG ecosystem and promote shareholder activism.

Priority I: Strengthening the corporate governance ecosystem

The Corporate Governance Council (Council) was formed to co-ordinate and align CG initiatives among members of the Council and relevant stakeholders. Chaired by the SC, the Council comprises representatives from Bursa Malaysia, Institute of Corporate Directors Malaysia, Institutional Investors Council, Malaysian Institute of Corporate Governance and the Minority Shareholders Watch Group (MSWG). The inaugural meeting of the Council was held in April 2020, and the Council's priorities for 2020/2021 were identified. The Council also formed a sub-working group to review and streamline existing CG assessments and awards for listed companies.

Priority II: Promoting shareholder activism

An *Annual General Meeting Corporate Governance Checklist for Shareholders* (AGM CG Checklist) was introduced to promote meaningful dialogue between shareholders and the board of directors at AGMs. The AGM CG Checklist was developed in collaboration with the Institutional Investors Council and the MSWG. It guides shareholders on key issues that they may need to consider or raise at an AGM before exercising their voting rights. These relate primarily to resolutions commonly tabled at AGMs such as the appointment of directors, approval of directors' fees and the appointment of auditors.

The AGM CG Checklist also reminds shareholders to engage boards on other critical issues including sustainability and anti-corruption measures.

Strengthening Board Governance and Oversight in Listed Issuers and Their Subsidiaries

The SC issued the *Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries* (Guidelines) to strengthen board governance and oversight in listed issuers and their subsidiaries. The issuance of these Guidelines is in line with the SC's CG Priorities, which seeks to, among others, promote the proper discharge of directors' fiduciary duties among corporate Malaysia. The introduction of these Guidelines is one of the measures approved by the Special Cabinet Committee on Anti-Corruption (JKKMAR) in 2019.

The Guidelines also set out guidance on duties and responsibilities of boards in company group structures and requirements for the establishment of a group-wide framework to enable, among others, oversight of group performance and the implementation of CG policies.

Corporate Governance Watch 2020

The SC held its biennial engagement with the Asian Corporate Governance Association[6] (ACGA) from 14 to 16 July 2020 for purposes of the *Corporate Governance Watch 2020* assessment. It is a regional assessment that evaluates the macro CG quality in 12 Asia-Pacific markets. The SC shared key measures that were implemented to drive good governance in the capital market since the last assessment held in July 2018.

In November, the ACGA announced the outcomes of the *Corporate Governance Watch 2020* assessment at its annual conference, held virtually in Hong Kong. Out of the 12 Asian markets[7] included in the assessment,

[6] The ACGA is an independent non-profit membership organisation based in Hong Kong, which monitors the CG framework and practices of the markets on behalf of its members that comprise leading pension and investment funds, with AUM of more than US$30 trillion globally.

[7] Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Taiwan and Thailand.

Malaysia ranked fifth (2018: fourth) jointly with Japan. Australia continued to rank first followed by Hong Kong and Singapore at joint second. Despite the drop in ranking, which was largely due to concerns on public governance, Malaysia's total scores increased in 2020, from 58% (2018) to 59.5%, and out of the seven assessment categories[8], Malaysia recorded improvements in four categories – 'Corporate Governance Rules', 'Listed Companies', 'Investors' and 'Auditors and Audit Regulators'. Further, in three categories, 'Auditors and Audit Regulators', 'Corporate Governance Rules' and 'Listed Companies' Malaysia ranked top two in the region, after Australia.

Strengthening of Anti-Corruption Policies and Procedures

As part of the SC's support in the implementation of the National Anti-Corruption Plan (2019-2023), several guidelines governing licensed and registered persons were amended to strengthen the anti-corruption measures of intermediaries and registered persons. The amended guidelines include *Licensing Handbook*, *Guidelines on the Registration and Conduct of Capital Market Services Providers; Guidelines on the Registration of Venture Capital and Private Equity Corporations and Management Corporations; Guidelines on the Registration of Credit Rating Agencies; Guidelines on the Registration of Bond Pricing Agencies;* and *Guidelines on Recognised Markets.*

These guidelines were amended in light of the corporate liability provision under section 17A of the *Malaysian Anti-Corruption Commission Act 2009* (MACC Act), which came into operation on 1 June 2020. The provision on corporate liability under the MACC Act establishes a new corporate liability offence of corruption by a commercial organisation. It also deems any director, controller, officer, partner or manager of a commercial organisation to be personally responsible for the same offence if the commercial organisation is found liable.

Pursuant to the amendments, licensed intermediaries and registered persons must have in place policies and procedures on anti-corruption and whistleblowing by 1 June 2020. The policies and procedures should be guided by the *Guidelines on Adequate Procedures* issued under section 17A(5) of the MACC Act.

[8] 'Auditors and Audit Regulation', 'Corporate Governance Rules', 'Civil Society and Media', 'Government and Public Governance', 'Investors', 'Regulators' and 'Listed Companies'.

THEMATIC REVIEW ON COMPLIANCE WITH ANTI-CORRUPTION POLICIES AND PROCEDURES

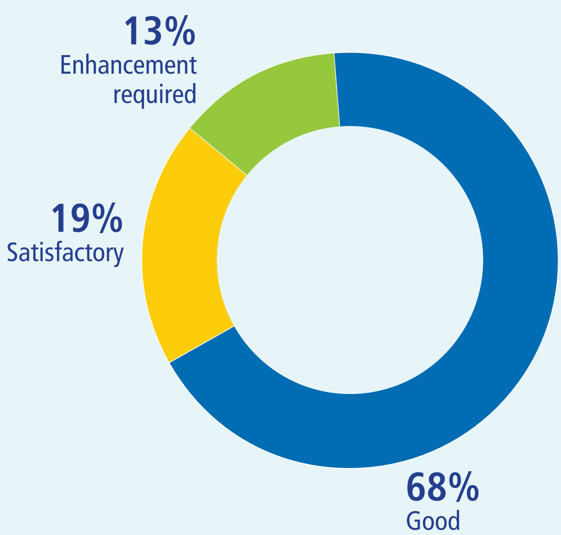
SCOPE OF REVIEW

The SC undertook a thematic review to assess the level of intermediaries' compliance with requirements on anti-corruption policies and procedures, which was introduced in light of the corporate liability provision under section 17A of the MACC Act, which came into force on 1 June 2020.

The thematic review covered 255 intermediaries supervised by the SC and was conducted via a questionnaire.

CHART 1

Level of overall compliance by intermediaries to s17A MACC Act



OBSERVATIONS

While the SC's review found that the majority of intermediaries had anti-corruption policies and frameworks in place, there was still room for improvement. These include the adequacy and comprehensiveness of policies and procedures, risk assessment, monitoring and training.

The SC noted that 68% of intermediaries had displayed a good overall level of compliance, having an adequate anti-corruption framework. Meanwhile, 19% of intermediaries had a satisfactory level of compliance and 13% requiring enhancements to their anti-corruption framework.

Following the thematic review, the SC will be taking the following steps in order to communicate the observations to the intermediaries and the industry:

- Issuance of Supervisory Letters to intermediaries, requiring significant enhancements to the framework to ensure relevant gaps are addressed;
- Issuance of communication to the senior management of intermediaries (by regulated activity) to share the specific observations noted from the thematic review; and
- Publication of specific observations and good practices noted from thematic review in the SC's newsletter, *The Reporter*.

Monitoring Compliance and Resilience of Intermediaries

The SC adopts a multi-pronged strategy to align intermediaries' culture, governance and conduct with its supervisory expectations. In 2020, the SC intensified its supervisory efforts, focusing on governance framework, compliance and risk culture, conduct as well as ensuring that intermediaries were well positioned and remained resilient. Stress testing on operational resilience was conducted to ascertain intermediaries' financial strength and capital adequacy position to absorb potential market stress.

Increased Use of Off-Site Monitoring Techniques

With the implementation of the MCO, an off-site supervision approach was adopted, with touchpoints achieved through frequent high-level engagements and assurances obtained from intermediaries on key matters in the SC's supervisory checklists. Targeted monitoring of intermediaries had also enabled the SC to obtain current information and data to identify potential risk build-ups.

Compliance with Anti-Money Laundering / Counter Financing of Terrorism / Proliferation Financing (AML/CFT/PF)

As part of the SC's effort to ensure reporting institutions' compliance with the *Guidelines on Implementation of Targeted Financial Sanctions Relating to Proliferation for Capital Market Intermediaries* (TFS-PF Guidelines), it conducted 14 workshops with Compliance Officers from 113 reporting institutions to convey its expectations on the adoption of best practices by the industry. In view of the updated recommendations[9] issued by the Financial Action Task Force (FATF) on assessment of proliferation financing risk and application of risk-based approach, the SC will provide further guidance and organise continuous awareness programmes focused on supervision and compliance with counter-proliferation financing requirements.

In 2020, the SC also worked with BNM on the National Risk Assessment on Proliferation Financing and the National Risk Assessment on Money Laundering / Terrorism Financing.

SC's multi-pronged strategy in monitoring intermediaries' compliance and resilience

Communication

Continuous engagement at various levels of an intermediary (board, senior management, control functions) to proactively remedy identified risks before harm has materialised

Enhancement

Incorporate lessons learnt from supervisory activities into rules, guidelines and supervisory approach

Guidance

Disseminate supervisory views including concerns and best practices through industry circulars, dialogues and workshops to align intermediary conduct with regulatory expectations

Enforcement

Where breach has been ascertained, particularly where exemplary sanctions will result in credible deterrence, enforcement actions will be taken

[9] *FATF International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation.*

Supervisory Assessments and Thematic Reviews

In 2020, the SC carried out 416 assessments comprising 56 targeted pre-emptive assessments and three thematic reviews involving 282 intermediaries on identified areas of risk. Additionally, the SC carried out 78 assessments arising from concerns, complaints and referrals received on misconduct. Where instances of poor control environment in the intermediary were identified in the assessment and thematic reviews, the SC took supervisory actions to ensure adequate measures were put in place to rectify the gaps.

Thematic reviews enable the SC to assess trends, emerging risks and compliance lapses across intermediaries. The thematic review conducted by the SC in 2020 included the reviews of intermediaries' compliance with anti-corruption policies and procedures requirements, and oversight of their licensed representatives.

Strengthening the Effectiveness of FIMM's Enforcement, Surveillance and Investor Protection

The supervision of FIMM as an industry self-regulatory organisation (SRO) continues to be a vital supervisory emphasis for the SC.

In 2020, FIMM's supervision focused on strengthening the effectiveness of its enforcement, surveillance and investor protection efforts to deter the possibility of increased misconduct during the prevailing challenging conditions. In particular, FIMM is expected to leverage its digital marketing efforts, and intensify its investor education and awareness programmes to educate vulnerable investors on the possibility of increased misconduct during the current conditions and promote ethical industry practices.

SUPERVISORY ASSESSMENTS AND THEMATIC REVIEWS

416 assessments

3 thematic reviews involving **282** intermediaries on identified areas of risk

56 targeted pre-emptive assessments

78 assessments arising from supervisory concerns, complaints and referrals received on misconduct

Capacity Building in Upholding Audit Quality

Given the importance of continuous professional education to build capacity and uphold audit quality, the SC introduced a one-off training subsidy for Small and Medium Practices (namely existing registered audit firms of the AOB with less than 10 audit partners), of up to RM30,000 per firm for Approved Training Programmes conducted by the Malaysian Institute of Certified Public Accountants (MICPA).

Clarifying Regulatory Parameters on Investment Advice Activities

The MCO period saw an increase in trading activity by retail investors. The situation also gave rise to dissemination of investment advice by members of the public on various social media platforms. As the provision of investment advice is a regulated activity under the CMSA, the SC issued the *Guidance Note on Provision of Investment Advice* on 30 December 2020, to clarify the types of activities that may amount to investment advice, and thus require a licence from the SC.

ENSURING MARKET INTEGRITY AND TRANSPARENCY

Reinforcing Bursa Malaysia's Regulatory Independence, Governance and Operational Resiliency

In 2020, the SC continued its efforts to facilitate the establishment of an independent wholly-owned Bursa Regulatory Subsidiary (Bursa RegSub) to assume the regulatory functions currently undertaken by Bursa Malaysia. The establishment of the Bursa RegSub was announced in February 2020. Efforts were made to put in place the necessary governance structure and regulations, and facilitate amendments to Bursa Malaysia's rules to support the function at the Bursa RegSub.

The clear segregation of the regulatory function from the commercial or business objectives of Bursa Malaysia will address the perception of potential conflicts of interest between these two competing objectives. A board of directors, a majority of whom will be independent of Bursa Malaysia, will govern the Bursa RegSub and the Chairman of Bursa RegSub will be appointed from among the independent board members. In this regard, Bursa Malaysia remains accountable to the SC to ensure that Bursa RegSub is sufficiently funded and resourced, to enable its regulatory functions to be discharged effectively. The SC will continue to regulate Bursa Malaysia directly as a PLC as well as a market operator and a central counterparty while maintaining oversight of the regulatory functions performed by Bursa RegSub. The target schedule for Bursa RegSub to be operational is in 2021.

Additionally, the SC's oversight and supervision of Bursa Malaysia, as an integrated exchange operator, is aimed at ensuring continued functioning of the equity and derivatives markets to support the real economy. These markets provide access to funding and the ability to hedge risks.

To meet these objectives, the SC's supervision on Bursa Malaysia is focused on:

- Strengthening the management of perceived conflicts of interest in the discharge of its regulatory obligations;
- Operational and financial resilience of its market infrastructures, namely Bursa Clearing Houses; and
- Operations of its markets with continued flow of information to these markets.

Given the significant dependence of Bursa Malaysia's operations on IT systems, network, infrastructure and connectivity as well as third-party service providers, the Exchange is exposed to the risks of application systems integrity, cyber security threats, data loss, compromised data integrity, technology obsolescence and business disruptions. The SC takes the occurrences of technical glitches of market operations at Bursa Malaysia seriously in view of the critical role it plays in the market. To ensure systems integrity and reliability, the SC has initiated a review of Bursa Malaysia's IT systems and infrastructure.

Assessment of Bursa Malaysia's ACE Market Functions

In July 2020, the SC announced that under the enhanced IPO framework, Bursa Malaysia is responsible for the registration of prospectuses of ACE market IPO, in addition to the existing ACE market IPO approval. The migration of the entire ACE market framework including registration of prospectuses to Bursa Malaysia will streamline and provide greater efficiency in the ACE market listings.

Consequently, the SC carried out an annual regulatory assessment on Bursa Malaysia that focused on assessing the adequacy of its systems, processes, controls and resources to assume the role of the frontline regulator for ACE market listings, including its supervision of sponsors. The assessments included the effectiveness and consistency of Bursa Malaysia's assessment of listed companies' applications for relief from compliance with Listing Requirements on the extension of time, modification, waiver and exemption, shareholding spread requirements and effectiveness of the unusual market activity (UMA) query framework.

Heightened Monitoring of Trading Activities

To ensure that the capital market operates in a fair and orderly manner, the SC remains vigilant in addressing trading irregularities that pose potential risks to market integrity. The SC continues to work closely with Bursa Malaysia to monitor, detect and respond to suspected market abuses relating to prevailing areas of concern.

In 2020, the SC observed a growing trend of listed companies announcing possible ventures into health-related businesses such as gloves, facemasks and COVID-19 vaccines. Such developments tend to garner exceptionally high trading interest in the shares of those companies. As a result, there were increased risks of market abuse such as insider trading and price manipulation surrounding these announcements and related news flows.

Trading irregularities were promptly detected and prioritised for further analysis. Where elements of possible market abuse are established, such cases were identified for further investigation to be conducted. Surveillance observations in relation to trading activities by capital market intermediaries also facilitated the SC's supervision over the intermediaries' controls and governance standards.

Surveillance of Corporate Activities

An important aspect of the SC's surveillance and supervisory function involves the monitoring of announcements and disclosures by listed companies, and financial reporting developments affecting the capital market.

Proactive and strategic surveillance activities were carried out to detect corporate transgressions and instances of non-compliance with accounting standards. Thematic reviews were also conducted to assess risks in specific sectors and where necessary, engagements with corporate directors were held.

Based on the identified risks and focus for 2020, the SC conducted surveillance reviews into the activities of 229 listed companies. In the course of these reviews, 174 engagements, including physical and virtual meetings, were undertaken with directors, statutory auditors and other parties related to the affairs of the listed companies such as advisers, company secretaries and forensic investigators.

Corporate transgressions detected in 2020 included:

- Using fictitious documents to drawdown on banking facilities;
- Channeling of company's asset to another party;
- Issuing misleading announcement to induce share trading;
- Issuing shares to related parties at a price, which was unfavourable to the listed company;
- Entering into asset acquisition agreements at inflated prices;
- Recording fictitious revenue; and
- Failure to disclose material litigation.

Strengthening Supervisory Oversight on New Market Structures

Under the SC's approach in regulating the markets, the level of supervision imposed on a type of market will correspond with its characteristics, including the size and structure, nature of services, products hosted or traded, sophistication of the users and rights of access and risks posed by such market. In this regard, the SC took the approach of a 'right touch' level of supervision on recognised market operators (RMOs) such as the equity crowdfunding (ECF), peer-to-peer financing (P2P financing), DAX and electronic service providers (eSP). It focused on monitoring areas of governance, risk management, client/issuer onboarding and due diligence, client asset protection, cyber security and systems integrity through reporting requirements, periodic review and assessment, and continued frequent engagements with these operators.

During the first quarter of 2020, the SC conducted one-on-one assessment engagement sessions with eight ECF operators and seven P2P financing operators. The engagements focused on the RMOs' annual compliance reporting, business plan for 2020 and discussed issues relating to their respective markets. These sessions also allowed the SC to raise supervisory concerns relating to weaknesses and gaps in practices for further process to be strengthened by the RMOs.

The SC had facilitated Go-Live of three new ECF operators and five P2P financing platform operators following the registration approval given in 2019. The concurrence to operationalise Go-Live was granted after the review and assessment of the *Rulebook*, and documented process and procedures for governance, risk management, user onboarding, client asset protection arrangement, and cyber security and systems integrity. By end of 2020, all 10 ECF and 11 P2P financing operators are fully operational.

Following the introduction of the regulatory framework governing DAXs and subsequent registration of three DAXs in 2019, the SC continued to facilitate the operationalisation of these DAXs by reviewing their *Rulebook*, policies and procedures before they were allowed to operationalise their platforms. In this process, particular attention was given by the the SC in the areas of governance, risk management, client onboarding, cyber security, system integrity and asset protection arrangement. All three DAXs operationalised their respective platforms within the first half of 2020.

One of the main concerns associated with digital assets is the risk of these assets being a conduit for money laundering, terrorism and proliferation financing. In this regard, the SC initiated its first regulatory assessment on DAXs in the fourth quarter of 2020, with completion targeted in the first quarter of 2021. Under the assessment, the SC scrutinises the

DAXs' Know Your Client (KYC) onboarding processes, ongoing Anti-Money Laundering (AML) due diligence and transaction monitoring policies to ensure consistency and alignment with the SC's *Guidelines on Prevention of Money Laundering and Terrorism Financing* and *Guidelines on Implementation of Targeted Financial Sanctions Relating to Proliferation Financing* as well as updated recommendations issued by FATF. The SC will continue its broad push towards digitisation by supporting and propagating the use of technology enhancements by DAX to support its Anti Money Laundering and Counter Financing of Terrrorism (AMLCFT) compliance objectives.

The scope of the regulatory assessment on DAXs was also expanded to include a review of the DAXs' IT governance framework and cyber security risk management and controls given the high dependence on technology and IT infrastructures to operate the markets.

Promoting Responsible Advertising Using Digital Channels

On 4 May 2020, the SC issued the *Guidelines on Advertising for Capital Market Products and Related Services* to promote responsible advertising using digital channels. The guidelines allow intermediaries greater flexibility in leveraging advertising platforms, including social media, messaging applications and video streaming to promote their products and services.

GREATER INVESTOR EMPOWERMENT

Understanding Investors' Behaviour and Motivation

During 2019 and 2020, the SC conducted several investors' surveys across different segments of society to gain better insight on, among others, investors' level of awareness on the different capital market products, their behaviours and motivations. The surveys also covered factors that may have influenced investors from participating in the capital market. General observations from the surveys are as follows:

Low level of investor awareness of capital market product types

Of the respondents, only 13% (2019) and 8% (2020) were able to accurately identify capital market products. The study shows a greater level of awareness of unit trust, listed shares and PRS (Chart 2).

CHART 2

Greater level of awareness of unit trust, listed shares and PRS

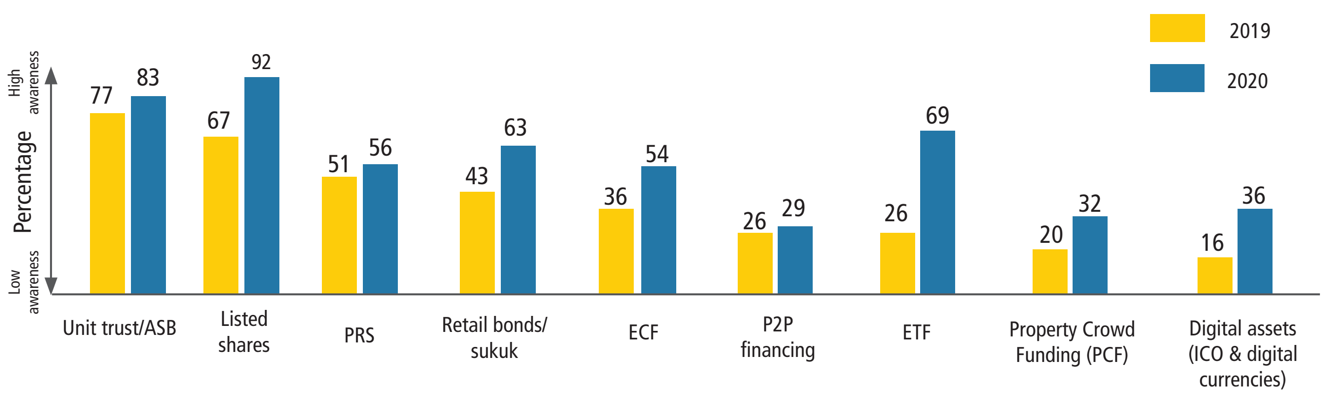
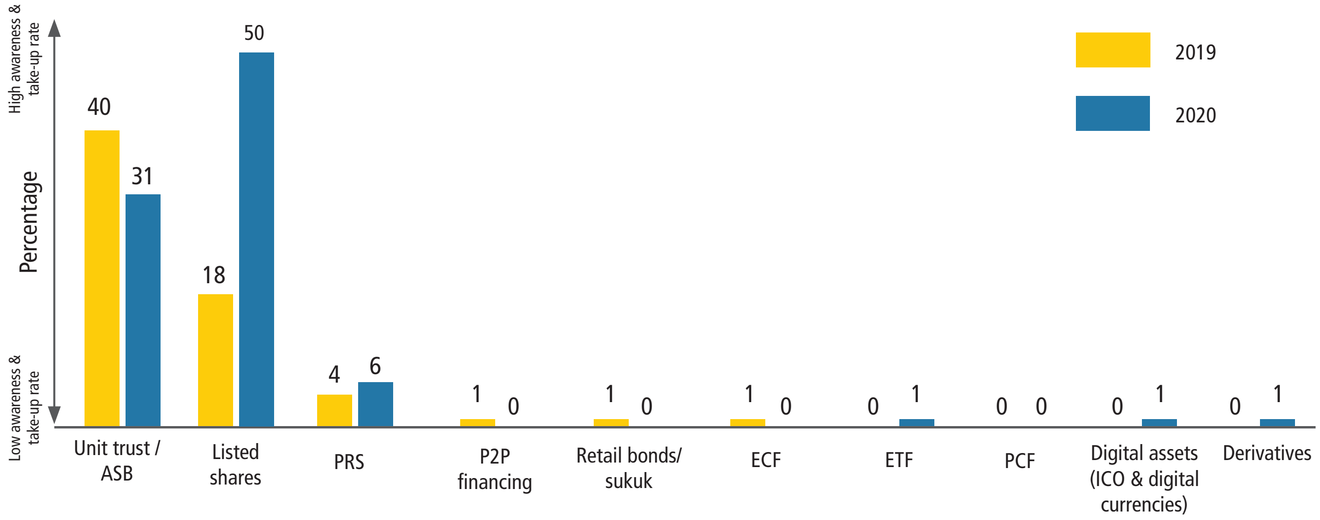


CHART 3

Survey on correlation between awareness and knowledge in a product and its take-up rate



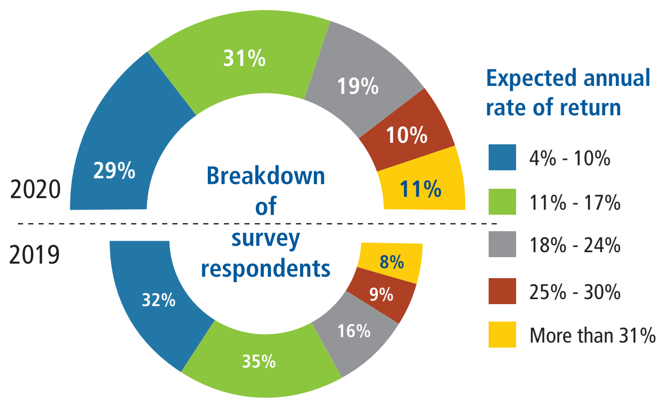
The survey also established a correlation between awareness and knowledge in a product and its take-up rate. Between 2019 and 2020, unit trust and listed shares, which investors are most familiar with, showed the highest take-up compared to other capital market products (Chart 3). This result underscores the importance of efforts to embed investor awareness in new product design and distribution.

Unrealistic expectation of returns from investment

Chart 4 shows that a sizeable number of survey respondents have an unrealistic expectation of returns as high as 24% to more than 31% per annum. Such unrealistic expectation of returns makes them susceptible to scams, which thrive on the promise of high returns, with little or no risk involved.

CHART 4

Survey of investors' expected annual rate of return



The SC's surveys also revealed that the general investing public has a pronounced tendency to focus on potential returns when making their investment decision with very little consideration of the risks involved.

Some barriers prevent investors from investing in the capital market


Lack of product awareness and negative peer influence;


Concern for frauds/scams and low returns; and


Insufficient money and complicated process of investing.

In view of the observations, the SC continues to prioritise investors' empowerment initiatives to ensure that investors are making informed financial and investment decisions while safeguarding their interests.

Empowering Investors Against Scams

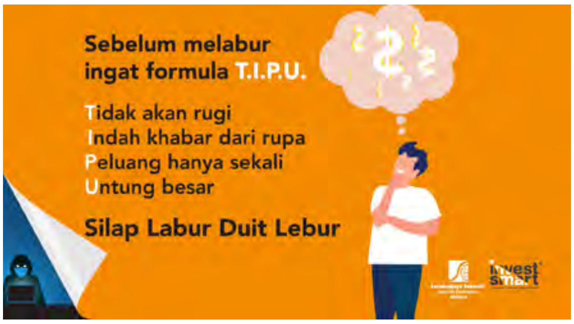
In 2020, the SC observed a 70% increase in investors' complaints and enquiries compared to the year before. Illegal investment schemes form 37% of all complaints handled by the SC.

The SC observed that the *modus operandi* of scammers have evolved over the years. Scams are now perpetrated predominantly through social media channels and messaging tools. To lure investors into the scheme, scammers have resorted to cloning legitimate firms, using the licensed firm's name and logo.

Anti-Scam Awareness Measures

Through InvestSmart®, the SC undertakes various initiatives to promote investment literacy and anti-scam awareness to the Malaysian public. Given the restriction imposed on physical events during the COVID-19 outbreak, InvestSmart® continued to utilise various tools such as digital and social media to reach out to members of the public. In 2020, InvestSmart® rolled out investor education initiatives through television and radio channels as well as Facebook, Instagram, Twitter and YouTube.

Anti-scam awareness television campaign



Recognising the potential rise in scams during the current economic uncertainties due to the COVID-19 crisis, InvestSmart® carried out a TV campaign on anti-scam awareness for three weeks from 10 to 30 April 2020 via four Media Prima TV channels - TV3, TV9, NTV7 and 8TV, to spread anti-scam awareness messages to the public.

The 15-second message was screened 504 times throughout the 3-week period, reminding the public to exercise extra caution and remember the InvestSmart® T.I.P.U formula before investing. These four channels have monthly viewership ranging from 4 million to 15 million, which gave InvestSmart® a very good reach, particularly when Malaysians were required to stay at home during that period.

Investor Alert List

A total of 134 new entries were made in the Investor Alert list in 2020 to warn the public against dealing or investing with such entities. These entities were involved in unlicensed activities and clone firm scams. To widen the reach and create better visibility of the Investor Alert List, new postings are regularly updated on the SC and InvestSmart® social media platforms and websites, every time a new entity is included in the Investor Alert List.

- Media release and issuance of cease and desist directives

Several media releases were issued to warn investors against investment scams, clone firms and investing through unauthorised digital asset exchanges. These media releases serve as a communication tool for the SC to inform investors of the new *modus operandi* of scammers and also to alert them of red flags that they should be aware of, to identify these scams.

On 5 August 2020, the SC also issued cease and desist orders on two entities operating crypto ATMs, namely Miningpuppets Sdn Bhd and Occasin Sdn Bhd.

- Establishment of an internal taskforce

In response to the increased incidences of scams and clone firms, the SC established an internal task force to investigate and take enforcement action against the perpetrators of such investment scams.

- Blocking of websites

With the collaboration from the Malaysian Communications and Multimedia Commission (MCMC), the SC has blocked 78 websites found to be carrying unlicensed regulated activities, scams and misusing the SC's name and logo.

- Collaboration with the Ministry of Communications and Multimedia on public service announcements in the form of anti-scam awareness videos on all television channels and public transportation operated by Prasarana, television news crawlers and announcements on all radio stations.

- Through the monthly InvestSmart® online series, basic information on capital market products and services are shared, as well as tutorials on how to invest.

- "Did You Know" and "Capital Market Knowledge" series of postings on InvestSmart® social media platforms.

InvestSmart® Fest 2020

InvestSmart® Fest 2020 is an annual flagship investor education event, which forms part of InvestSmart® investor education initiatives to create more informed investors who are self-reliant and able to make investment decisions that are right for them. The event aimed to reach out to a wide spectrum of the public throughout the nation. It is an avenue to educate the public on a range of investment-related topics and promote anti-scam awareness.

VIRTUAL INVESTSMART® FEST 2020
23 - 25 OCTOBER 2020

In October 2020, InvestSmart® organised its seventh instalment of the InvestSmart® Fest virtually for the first time. InvestSmart® Fest 2020 with the theme, *'Silap Labur Duit Lebur'* was also held in support of the Financial Education Network's (FEN) inaugural Financial Literacy Month held throughout October 2020.

9,000+ VISITORS
- Over 50% reside outside Klang Valley
- 30% are between the ages of 18-30

37 EXHIBITORS
- Capital Market Intermediaries
- Associations
- Regulatory and Government Agencies

40 SPEAKERS

460
Slots of free consultation with licensed financial planners offered at #FinPlan4U service desk

Launch of Anti Scam Video, "Silap Labur Duit Lebur"

FEATURED SPEAKERS

Strengthening Redress Mechanisms for Investor Protection

The SC's efforts to strengthen accountability and market integrity are complemented by the resolution of investors' claims through a dispute resolution mechanism. The Securities Industry Dispute Resolution Center (SIDREC) provides retail investors with a specialist independent and impartial avenue to resolve claims that they may have against a SIDREC member in an accessible, efficient and effective manner based on the principle of fairness and reasonableness.

In 2020, SIDREC received 259 claims and enquiries (2019: 290), out of which 103 were eligible disputes[10]. In line with past trends, 90% of the eligible disputes in 2020 were resolved through case management and mediation. The year 2020 witnessed SIDREC spearheading the conduct of mediations and adjudications either fully virtual or on a hybrid basis for claimants.

ACHIEVING SWIFT AND TARGETED ENFORCEMENT ACTION

Swift and Effective Enforcement Outcomes Through Utilisation of Available Enforcement Tools

The SC continuously seeks to pursue an enforcement strategy that is proportionate, and yields the most efficient and effective outcomes for each case.

In 2020, the SC recalibrated its enforcement strategy to focus on cases that have caused significant harm involving vulnerable investors, namely fraud, misconduct and unlicensed activities.

A snapshot of some of the SC's key enforcement achievements in 2020 is presented in the *Enforcement Actions 2020*.

[10] Dispute under SIDREC's purview as set out in its Terms of References.

ENFORCEMENT ACTIONS 2020

CRIMINAL ACTIONS

In 2020, a total of 10 charges were laid against three individuals for securities fraud and failure to appear before an Investigating Officer. Additionally, convictions were secured against three individuals for cases involving securities fraud and submission of false information.

3 Individuals charged

10 Criminal charges laid

5 Convictions obtained

6 months Custodial Sentences

RM5,884,500.00 Fine

OUTCOME OF CRIMINAL ACTION ON FALSE AND MISLEADING INFORMATION AND SECURITIES FRAUD

FURNISHING FALSE AND MISLEADING INFORMATION

Former Chief Executive Officer and Executive Director of Transmile Group Bhd (Transmile) Gan Boon Aun (Gan BA) was convicted by the Sessions Court for furnishing a misleading statement to Bursa Malaysia in relation to Transmile's revenue as reported in the company's Quarterly Report on Unaudited Consolidated Results for the Financial Year ended 31 December 2006. Gan BA was sentenced to a fine of RM2.5 million (in default, 18 months imprisonment) and 1-day imprisonment.

Dato' Dr Haji Mohd Adam Che Harun, former Executive Chairman of Megan Media Holdings Bhd (MMHB) had his conviction affirmed by the Court of Appeal for an offence of furnishing false information to Bursa Malaysia. The false information was in relation to the revenue in MMHB's Quarterly Report on Consolidated Results for the Financial Period ended 31 January 2007. The Court of Appeal also reinstated the 18 months imprisonment term, which was imposed by the Sessions Court and maintained the RM300,000 fine.

SECURITIES FRAUD

Afkariah Md Noraini (Afkariah), a former unit trust consultant pleaded guilty to four charges of securities fraud and was sentenced to 6 months imprisonment and RM1 million fine (in default 1-month imprisonment) for each charge by the Sessions Court. Afkariah was charged with securities fraud for deceiving four individuals in relation to a purported investment scheme with RHB Investment Bank Bhd amounting to RM50,000.

CIVIL ACTIONS

The SC's civil actions in 2020 are as follows:

Civil actions

6 cases
Civil actions filed

14
No. of individuals /entities involved

1
Full judgement obtained after full trial

4 Individuals
Consent judgment recorded

RM3,318,154.00
Amount disgorged

RM2.2 million
Civil penalties imposed

Regulatory settlements

3 cases
Regulatory settlements entered

18
No. of individuals/ entities involved

RM11,955,894.63
Amount disgorged

RESTITUTION

RM3,868,679.24
Amount restituted

533
No. of investors restituted

RM4,339,821.62
Amount earmarked for further restitution

1,205
No. of investors earmarked for further restitution

CIVIL ACTION ON SECURITIES FRAUD, MARKET MANIPULATION AND INSIDER TRADING

SECURITIES FRAUD

A civil action was initiated by the SC on 5 May 2020 against Wong Shee Kai (Ricky Wong), Teh Sew Wan and Wong SK Holdings Sdn Bhd. The defendants were involved in several schemes to defraud Bright Packaging Industry Bhd (Bright Packaging) through its rights issue, private placement and ESOS exercises.

Arising from this civil action, the SC managed to obtain an *ex parte* injunction against the defendants on 5 May 2020. The ex parte injunction prohibits the defendants from dealing with their assets and properties to the value of approximately RM169 million. The order also requires the defendants to disclose a full, complete and accurate account of their respective assets within and outside Malaysia.

The Public Prosecutor also filed a Notice of Motion for an asset forfeiture against Wong SK Holdings Sdn Bhd and Ricky Wong under section 56 of the *Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001* (AMLATFPUAA) to forfeit 5,792,000 units of Bright Packaging shares held in RHB Investment Bank equity account, belonging to Wong SK Holdings Sdn Bhd.

MARKET MANIPULATION

On 8 May 2020, the SC filed a civil suit against Toh Lean Seng, Tham Yoke Sing, Lee Ai Peng, Yap Wai Fong and Lee Beng Huat in connection with an alleged false trading and market rigging transaction involving the trading of Reliance Pacific Bhd (RPB) shares. In carrying out the market manipulation activity, the SC contended that the Defendants solely and/or jointly with another group of individuals have colluded and/or participated in carrying out the market manipulation activity through 38 CDS accounts maintained at various stock brocking companies.

INSIDER TRADING

On 4 November 2020, the High Court found in favour of the SC, that Dato' Sreesanthan Eliathamby (Sreesanthan) had acquired 600,000 shares in Worldwide Holdings Bhd (Worldwide) between 7 June 2006 and 11 July 2006 while in possession of material non-public information.

The High Court had found that Sreesanthan, a senior partner in a law firm that served as a legal adviser for the proposed privatisation of Worldwide, was in possession of material non-public information in relation to the exercise by Perbadanan Kemajuan Negeri Selangor, by way of a member's scheme of arrangement under Section 176 of the *Companies Act 1965*. The privatisation was announced to Bursa Malaysia on 23 August 2006.

Sreesanthan was ordered to pay RM1.99 million to the SC, which is three times the profits gained because of insider trading. He was also ordered to pay the regulator a civil penalty of RM1 million and is barred from being a director of any listed company for 10 years starting from 18 November 2020.

RESTRAINING ORDER FROM TRADING ON BURSA MALAYSIA FOR A PERIOD OF UP TO 5 YEARS

5 Directors of PLCs

3 Licensed persons

7 Private individuals

INDIVIDUALS BARRED AS DIRECTOR

6 Directors of PLCs

2 Licensed persons

8 Private individuals

ADMINISTRATIVE ACTIONS

Various types of administrative sanctions were imposed against capital market intermediaries, professional advisors, listed companies and their directors for various breaches of securities laws and guidelines:

12 Penalties imposed amounting to **RM1.29 million**

26 Reprimands

4 Directives issued

1 Licence revoked

2 Restitutions amounting to **RM137,000.00**

45 ADMINISTRATIVE SANCTIONS IMPOSED

SANCTIONS WERE IMPOSED FOR, AMONG OTHERS:

FRAUD AND MISREPRESENTATION

- Failure to supervise and monitor its marketing representatives and ensure compliance with various SC's guidelines, resulting in misrepresentation to investors

The SC reprimanded BIMB Investment Management Sdn Bhd (BIMB) and issued a directive against BIMB for breach of provisions in various SC's guidelines, such as the *Licensing Handbook, Guidelines for Marketing Representatives, Guidelines on Unit Trust Funds* and *Guidelines on Sales Practices of Unlisted Capital Market Products.*

BIMB's misconduct included failure to supervise and ensure compliance with relevant guidelines, failure to exercise reasonable care and diligence, failure to ensure actions by referrers or marketing representatives are within permitted referral and marketing activities, and failure to have proper policies and procedures to monitor its referrers or marketing representatives.

- Fraudulent sale and purchase of securities and derivatives by a licensed individual

The SC reprimanded Muhamad Nur Syafiq Mat Sari and required him to make restitution to his victim as well as imposed a penalty on him for engaging in an act, practice or course of business, which operated as a fraud in relation to sale and purchase of securities and derivatives.

MATERIAL OMISSION OF INFORMATION TO INVESTORS

The SC sanctioned Pasdec Holdings Bhd (Pasdec) together with its board of directors for authorising the issuance of an abridged prospectus containing material omission of information. Pasdec and the directors were reprimanded, while some of its directors were imposed penalties. The SC also reprimanded, imposed a penalty and a directive against RHB Investment Bank, the principal adviser of Pasdec for causing the issuance of the said abridged prospectus.

SC's Investigation on the Goldman Sachs Group, Inc.(GSG) Entities

The SC completed its investigation on Goldman Sachs International, Goldman Sachs (Asia) L.L.C. and Goldman Sachs (Singapore) Pte for engaging in a scheme to defraud the Government of Malaysia (GOM) and 1Malaysia Development Bhd (1MDB) in the issuance of three bonds namely:

- US$1.75 billion 5.99% Guaranteed Notes due in 2022 issued by 1MDB Energy Ltd;
- US$1.75 billion 5.75% Guaranteed Notes due in 2022 issued by 1MDB Energy (Langat) Ltd; and
- US$3 billion 4.40% Notes due in 2023 issued by 1MDB Global Investments Ltd.

Following Tim Leissner's plea of guilt on 28 August 2018 for conspiring to commit money laundering and conspiring to violate the U.S. *Foreign Corrupt Practices Act* by both paying bribes to various officials and circumventing internal accounting controls of GSG's entities before the U.S. District Court, Eastern District of New York, Goldman Sachs Malaysia Sdn Bhd was also queried by the SC as Tim Leissner was a director on its board during the material time.

As the SC's investigation forms part of GOM's settlement negotiation with GSG, the SC's team provided input and support to the Attorney-General throughout the negotiation leading to US$3.9 billion settlement with GSG. The settlement agreement comprised among others, GSG making a cash payment of US$2.5 billion and providing an asset recovery guarantee of US$1.4 billion to the GOM.

Sanctions Against Errant Registrants

The AOB has taken six separate administrative actions in 2020 on errant registrants to reinforce the importance for the AOB registered audit firms to uphold the quality of their audit engagements. The actions consist of one prohibition, three monetary penalties and two prohibitions with monetary penalties. Enforcement actions imposed against audit firms and auditors were based on the level of severity and impact of the deficiencies found from the AOB's inspection findings.

Infringement Notices

Apart from administrative actions under its statutory powers, the SC also utilises other forms of non-statutory enforcement tools in the exercise of its monitoring, gate-keeping and supervisory functions.

Infringement notices are issued where breaches of securities laws or guidelines do not warrant the initiation of a formal enforcement action, or the imposition of an administrative sanction.

Infringement notices issued by the SC include the following:

- **Supervisory letters involving infringement**– issued pursuant to the exercise of a supervisory function or the conduct of an examination under section 126 of the *Securities Commission Malaysia Act 1993* (SCMA).
- **Warning letters** – issued pursuant to the discharge of the SC's gate-keeping function such as the issuance of licences, approval of corporate proposals and review of prospectuses. Warning letters may be issued to licensed, registered persons or other professionals and experts.
- **Non-compliance letters** – issued pursuant to the discharge of the SC's gate-keeping function for minor breaches.
- **Cease and desist letters** – issued to stop or prevent violation of securities laws. Cease and desist letters may be issued to a person who is committing or about to commit an infringing act. Failure to comply with the cease and desist order may attract formal enforcement action by the SC.

In 2020, a total of 71 infringement notices were issued by the SC as detailed below:

Type	Total
Supervisory letter involving infringement	22
Warning letter	7
Non-compliance letter	40
Cease and Desist letter	2
Total	**71**

The High Court Upholds the SC's Decision to Impose Penalties Upon Deloitte PLT (Deloitte)

On 24 December 2020, the High Court dismissed Deloitte's judicial review application to set aside the SC's sanctions against Deloitte for its failure to discharge its reporting obligations under the CMSA, which consists of reprimands and penalties of RM2.2 million. The High Court also awarded costs in the sum of RM20,000 to be paid by Deloitte to the SC.

In 2019, the SC imposed sanctions upon Deloitte for its failure to immediately report to the SC on irregularities, which may have a material effect on the ability of Bandar Malaysia Sdn Bhd to fulfil its obligations in repaying its sukukholders under the *Sukuk Murabahah* Programme.

Deloitte has filed an appeal to the Court of Appeal to challenge the High Court's decision.

Collaboration with Other Law Enforcement Agencies and Cross-Border Investigations

In various efforts to ensure successful outcome of the SC's investigations, collaboration and sharing of information with other law enforcement agencies locally and outside of Malaysia is crucial. In this regard, the SC continues to have regular dialogues with its foreign counterparts on enforcement and supervisory matters while providing assistance and information-sharing via the IOSCO's Multilateral Memorandum of Understanding (IOSCO MMoU). The SC's enforcement team works closely with fellow regulators under the IOSCO MMoU Concerning Consultation and Cooperation and the Exchange of Information.

Strong enforcement co-operation through this global information-sharing network has strengthened the SC's enforcement capabilities to deal with cross-border market misconduct. In 2020, the SC liaised with eight jurisdictions under the IOSCO MMoU in pursuit of cross-border investigations and enforcement of securities laws.

MAINTAINING MARKET INTEGRITY AND GOOD GOVERNANCE

Maintaining market integrity and good governance remains a priority for the SC as it continues to drive high standards of governance and accountability among all market participants.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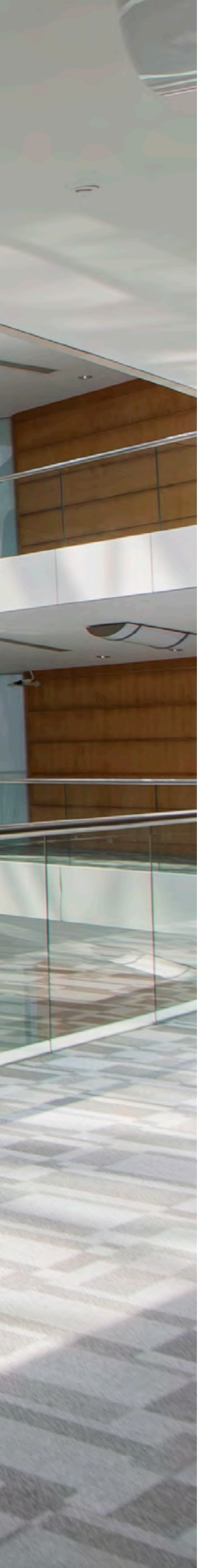


PART
04

ENABLING IMMEDIATE OPPORTUNITIES AND FACILITATING RECOVERY

PART 04 ENABLING IMMEDIATE OPPORTUNITIES AND FACILITATING RECOVERY

INTRODUCTION

The capital market continued to play an important role in supporting the Malaysian economy amid a challenging and turbulent environment. The SC had focused its efforts on enabling immediate opportunities and facilitating recovery across the spectrum of issuers, investors, intermediaries and companies by enhancing accessibility to the capital market both in terms of financing as well as investments.

Measures undertaken include enabling wider adoption of digital technology, facilitating new opportunities to spur continued growth and vibrancy of the capital market, accelerating the development of an ecosystem that promotes sustainable and responsible investments (SRI) as well as building capabilities and opportunities within the capital market.

BROADENING ACCESS TO THE CAPITAL MARKET VIA TECHNOLOGY

The year 2020 brought significant acceleration to digital adoption in the capital market, particularly towards ECF and P2P financing, DIMs and DAX as investors, issuers and intermediaries adapted to the new normal. At the onset of the implementation of the MCO, the SC took immediate action to manage the impact of the MCO on fundraising activities by micro, small and medium enterprises (MSMEs) on the ECF and P2P financing markets. Appropriate steps were taken to mitigate the lower demand from investors due to uncertainties seen in the alternative market, especially on the ECF and P2P financing platforms.

Sustaining MSME Fundraising via ECF and P2P Financing Markets

When the ECF market was introduced in 2015, a fundraising limit of RM3 million per campaign and a RM5 million lifetime limit for each issuer were put in place to protect investors from excessive exposure.

However, as the ECF market continues to mature, as evidenced by the steady increase in the size of fundraising rounds and growing interest from issuers, further liberalisation measures were introduced. This involved raising the single lifetime fundraising limit from RM5 million to RM10 million per issuer and widening the scope of eligible ECF issuers to companies with up to RM10 million in paid-up capital from the initial RM5 million in paid-up capital.

SUSTAINING MSME FUNDRAISING VIA ECF AND P2P FINANCING MARKETS

2020

1,403 issuers have raised funding on ECF and P2P financing platforms amounting to **RM631.04 million** (2019: RM441.56 million)

60% of ECF issuers and **36% of P2P financing issuers** are technology-focused

57% of ECF issuers fundraised for business expansion and **97% of P2P financing issuers** fundraised for working capital

While there was an initial reduction in retail investors' participation in the first quarter of 2020, retail investors have since returned to the market with the easing of lockdowns in April – May 2020. More encouragingly, there was an increase in the participation from angel and sophisticated investors during the year.

ECF and **P2P financing markets** had initially experienced a decline in fundraising activities during the MCO, in line with a slowdown in economic activities. As businesses resumed operations, both markets have subsequently recovered, with ECF platforms experiencing steady growth. As for P2P financing platforms, due to their proactive restructuring and rescheduling (R&R) strategies, they have helped issuers remain afloat during this challenging period and limited any significant increase in defaults.

To enhance the value proposition of ECF and P2P financing markets for investors, the SC introduced a framework for secondary markets to facilitate a more structured and orderly exit mechanism for investors. This enabled early investors to exit from deals, which they had earlier invested in and also provided an opportunity for new investors to invest in deals that they might have missed earlier.

Facilitating Alternative Fundraising Through Issuance of Digital Tokens

Recognising the need for fundraising for early-stage entrepreneurs with innovative business proposals through the digital token offering in Malaysia, the SC introduced the *Guidelines on Digital Assets* on 15 January 2020. The digital token offering is a form of alternative fundraising where an issuer offers digital tokens using blockchain technology to raise funds for their business projects. Based on responses received through the SC's public consultation, there was overwhelming support from the industry with regards to the SC's proposal to leverage the expertise of a platform operator to review applications for the issuance of digital tokens for fundraising. This is also known as the initial exchange offering (IEO).

Under this framework, all offerings of digital tokens in Malaysia are to be carried out only through an IEO platform operator registered with the SC. IEO platform operators will be required to assess and conduct the necessary due diligence on an issuer, review the issuer's proposal and the disclosures in the whitepaper, and assess the issuer's ability to comply with the requirements of the *Guidelines on Digital Assets*, the *Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries* and the *Guidelines on Implementation of Targeted Financial Sanctions Relating to Proliferation Financing for Capital Market Intermediaries.*

Enhancing Access to Investments via Innovative Digital Solutions

The varying degrees of movement restrictions in 2020 had accelerated digital adoption among consumers and businesses. The introduction of the regulatory framework for e-Services Platforms within the *Guidelines on Recognised Markets* permit platforms such as e-payment platforms, e-commerce platforms and e-wallets to partner with CMSL holders to distribute capital market products, thus providing additional investment channels for investors. Partner CMSL holders can now tap the captive customer base of these digital platforms and provide a more seamless and convenient investment experience. Investments made via e-Services Platforms are executed on a pass-through basis to the partner CMSL holder. This allows both the platform and the CMSL holder to build and maintain relationships with investors while ensuring that the investors' monies and assets are properly safeguarded.

In 2020, the SC had also approved three additional DIM companies. The services offered by the new DIM companies provide more value-added options for investors such as spare change investing and differentiated investment strategies. By end December 2020, DIM have acquired 199,224 clients and RM466.20 million in total AUM [end 2019: 23,803 clients; RM74.7 million total AUM].

Shariah Advisory Council of the SC Resolution on Digital Currencies and Digital Tokens

Recognising the importance of digitisation in the capital market and its increasing adoption by market participants, the Shariah Advisory Council (SAC) of the SC had resolved in July 2020 that it is permissible to invest and trade in digital currencies and digital tokens (Digital Assets) on registered DAX that fulfil the requirements as specified in the SAC resolution. Under the resolution, the SAC had resolved that Digital Assets are recognised as asset (*mal*) from a Shariah perspective.

The scope of the SAC resolution on digital currencies provides the following aspects:

- Digital currencies that are based on technology without any underlying where such kind of digital currencies are not considered as currency and are not categorised as usurious (*ribawi*) items from a Shariah perspective. Therefore, the trading of such digital currencies is not subject to the principle of currency exchange (*bai` al-sarf*).

- Digital currencies that are backed by usurious items (i.e. gold, silver, currency and other usurious items) where such kind of digital currencies are categorised as usurious items (*amwal ribawiyyah*). Therefore, trading of such digital currencies is subject to the principle of currency exchange or other Shariah requirements of usurious items.

Meanwhile the scope of the SAC resolution on digital tokens provides that the following requirements must be fulfilled to determine the Shariah status of digital tokens:

- The utilisation of proceeds raised from the issuance of digital tokens must be for Shariah-compliant purposes, and the rights and benefits attached to digital tokens must be Shariah-compliant; and

- The existing SAC resolution on the utilisation of sukuk proceeds and the business activities benchmark under the Shariah screening methodology for listed companies are applicable in the event that the utilisation of proceeds and the entitlement of rights and benefits of digital tokens are for Shariah-compliant and Shariah non-compliant purposes.

If a digital token is backed by usurious items, the trading of such digital token is subject to the Shariah requirements for trading of usurious items.

This SAC resolution marked a significant milestone for the ICM community to facilitate greater product innovation and development in digital assets, and in turn, attract broader participation and provide alternative channels for Shariah-compliant fundraising.

Promoting Fintech Developments and Innovations

The SC continued to enhance awareness of new fintech developments and innovations by holding its seventh SCxSC Annual Fintech Conference (SCxSC) from 5 to 7 October 2020. Held virtually for the first time, SCxSC expanded its reach to a wider audience, attracting more than 7,000 registered participants from diverse backgrounds and locations. Through the digital platform, participants could engage in panel discussions and interact with exhibitors and other participants. Moving forward, the SC will continue to explore other innovative channels to help broaden its engagement and educational efforts across the investor and issuer community.

Collaborating with Regional Regulators on Fintech Initiatives

As part of the SC's ongoing efforts to collaborate with other regional and global peer regulators through Fintech Co-operation Agreements, the SC entered into a new Fintech Bridge agreement with the Indonesian financial regulator, Otoritas Jasa Keuangan (OJK) on 24 August 2020. The agreement sets out a mechanism between both regulators to refer innovative businesses that wish to operate in the other's jurisdiction. It also covers any future joint-innovation projects and regular information sharing between both regulators on any emerging developments or regulatory issues in the fintech space.

DIGITISING THE CAPITAL MARKET AS AN ENGINE FOR GROWTH

The adoption of digitisation has emerged as one of the main themes for the capital market in 2020. This was evident during the SC's engagements with the capital market industry, specifically the Brokerage Industry Digitisation Group (BRIDGe) and the Fund Management Industry Digitisation Group (FMDG).

Accelerating Digitisation in the Broking Industry

In 2020, BRIDGe, the multi-stakeholder working group chaired by the SC to accelerate digitisation in the broking industry, completed most of the initiatives to facilitate the recommendations outlined by the working group in 2019. Table 1 summarises the implementation efforts since its inception in August 2018.

TABLE 1

BRIDGe implementation efforts since its inception in August 2018

Focus areas	2019	2020
BRIDGe recommendations	• Finalised working group recommendations • Engaged brokerage industry associations and leaders	• BRIDGe website went live, outlining recommendations and implementation progress updates
Digitising onboarding	• Enabled Participating Organisations (POs) to offer non-face-to-face verification for online trading and CDS account opening	• Enabled Bursa to remove wet signature for CDS account opening • Bursa Malaysia implemented CDS account opening feature
Digitising post-trade and settlement	• Mandated email addresses for new and online investors • Issued a consultation paper on the proposed way forward to enable higher online settlement limits	• PayNet completed enhancements to enable higher settlement limit
Digitising corporate actions	• Mandated issuers to provide shareholders with electronic options to convert shares, subscribe to rights and dividend reinvestment plans (DRP)	• Enhanced collection of email addresses for investors and shareholders • Facilitated virtual and hybrid general meetings and digitised general offers • Enabled share registrars to offer e-dividend reinvestment plan (e-DRP) • Enabled online investors to continue trading shares undergoing share consolidation exercises

Digitising client onboarding

To provide investors with a fully digital onboarding experience, BRIDGe recommended for the industry to enable non-face-to-face verification mechanisms and the ability to facilitate the online opening of CDS accounts.

Following from the 2019 rule amendments in relation to non-face-to-face client verification mechanism, the SC has approved further amendments to the *Rules of Bursa Depositories Sdn Bhd*. The new amendments provided an alternative to wet signatures for CDS account opening by enabling application submissions through CDS e-Services. Additionally, in June 2020, Bursa Malaysia offered investors the avenue to open CDS accounts online through the Bursa Anywhere application.

Digitising post-trade and settlement

To reduce the use of cheques and further encourage cashless transactions by investors when settling trades, BRIDGe recommended for the industry to be enabled with higher online settlement limits.

Subsequent to the SC's consultation with the industry in 2019, which identified the need to increase the daily online settlement limit, Paynet enhanced its FPX Merchant Specific Higher Transaction Limit payment solution to facilitate the necessary controls required for stockbrokers to offer higher settlement limit up to RM100,000. To mitigate potential fraud risks, necessary regulatory guidelines and operating procedures will be amended in 2021, in close consultation with relevant industry associations.

The revision would include additional control requirements for both the banking and capital market participants.

Digitising corporate actions

BRIDGe also recognised the need for advancements in electronic processes surrounding corporate actions to encourage more investor participation. This entails efforts to strengthen e-notification, e-subscription and e-payment capabilities. It also enables online investors to continue trading shares undergoing share consolidation exercise through the cessation of online trading blocks by stockbrokers. The need for e-corporate actions became more apparent at the height of the movement control restrictions, which impeded share registrars' ability to effectively carry out the requisite processes through conventional means such as notifying investors of corporate actions, printing and delivering physical forms to investors, as well as holding physical AGMs.

The BRIDGe membership expanded in 2020 to include a broader pool of share registrars and the investment banking community following the MCO. The working group convened regularly to deliberate potential areas of corporate actions for digitisation and formulate measures including the regulatory guidance to ensure continuity of corporate actions during the operational disruptions and technological advancements in conventional processes moving forward.

Other initiatives and outcomes from efforts to digitise corporate actions include the following:

- Collective effort to update and register shareholders' email addresses. Bursa, stockbrokers and share registrars collectively stepped up campaigns to encourage shareholders to register their email addresses with Bursa Malaysia. As of end December 2020, a total of 1,117,105 CDS accounts have registered their email addresses with Bursa Malaysia, 53% of total CDS accounts to date. This is an increase from 45.3% as at end April 2020.

- Enabling share registrars and Bursa Malaysia to offer e-DRP. With the support of the Inland Revenue Board of Malaysia, the SC facilitated eight share registrars and authorised Bursa Malaysia to collect stamp duty as part of DRP offerings. Moving forward, investors can subscribe to e-DRP offerings and make online payments for stamp duty without the need to physically purchase revenue stamps at the post office. This is expected to improve the subscription rate of DRP exercises.

Accelerating Digitisation in the Fund Management Industry

The SC launched the Fund Management Industry Digitisation Group (FMDG) in November 2019 to accelerate the digitisation of the fund management industry to help enhance investors' digital experience and improve the overall operational efficiency of the industry. The FMDG working group comprises members from the SC, BNM and industry members representing fund distributors, fund managers and trustees. FMDG is made up of the digital onboarding workgroup and the fund management services workgroup.

Recommendations identified and implemented in 2020 included:

- Enabling higher online settlement limit for the fund management industry, in tandem with the brokerage industry.

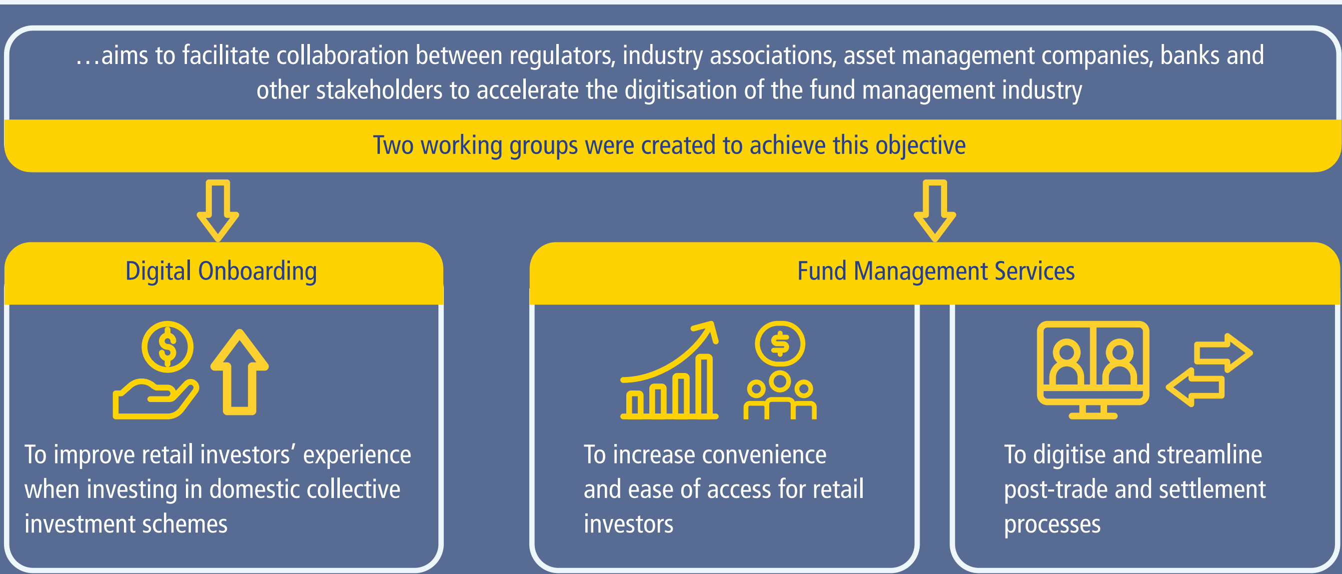
- Increasing the use of electronic transfer for income distribution. Most firms in the fund management industry have reduced the use of cheques but a few have retained it. In this regard, the SC has engaged several fund management companies[1] (FMCs) with high usage of cheques, and have gathered their commitments to move towards e-distribution or auto-reinvestment from 2021 onwards.

- Enhancing information sharing for improved decision-making. FMDG has facilitated the publishing of NAV prices online via FIMM's amendments to its Investment Management Standard. This enabled current and relevant information to be hosted and updated on its website for access by relevant stakeholders.

FACILITATING GROWTH OPPORTUNITIES FOR MARKET INTERMEDIARIES

To strengthen the competitiveness of capital market intermediaries, the SC continues to develop regulatory frameworks that are facilitative and responsive to enable the intermediaries to grow beyond traditional product offerings and business models.

FUND MANAGEMENT INDUSTRY DIGITISATION GROUP



[1] The fund management companies engaged are Affin Hwang Asset Management, Eastspring Investments, Principal Asset Management and Saham Sabah.

MEMBERS OF FMDG

Regulators

- Suruhanjaya Sekuriti Securities Commission Malaysia
- Bank Negara Malaysia – Central Bank of Malaysia

Asset Management Companies & Distributors

- iFAST
- Affin Hwang Capital Asset Management
- Areca Capital International Limited
- PNB Permodalan Nasional Berhad
- Principal
- StashAway
- Eastspring Investments
- Manulife
- Public Mutual – Wholly-owned subsidiary of Public Bank

Custodian Banks & Trustees

- Maybank
- CIMB Bank
- Deutsche Bank

Industry Associations

- FIMM – Federation of Investment Managers Malaysia
- Persatuan Bank Bank Dalam Malaysia – The Association of Banks in Malaysia

Creating Opportunities Beyond Traditional Segments

In August 2020, the SC approved the expansion of fee models by securities and derivatives brokers by allowing licensed brokers to provide discretionary trading services to clients without solely relying on commission payments.

A discretionary trading account where remuneration is not dependent on the commission would allow for a more client-centric approach to securities and derivatives trading. Based on specific pre-agreed parameters, a dealer representative will be able to play a more active role in managing the clients' trading activities based on prior agreed mandate.

The ability to structure their fees based on the types of services offered would encourage dealer representatives to upskill themselves, enhance their competitiveness and optimise their core business. As 'specialists' in the securities and derivatives market, brokers could leverage their strengths in this particular segment *vis-a-vis* other intermediaries.

Discretionary trading services by dealer representatives addresses the needs of mass affluent investors who are looking for better personalised investment opportunities. In enabling dedicated products and services, the initiative would facilitate efforts by dealer representatives to maintain one-to-one relationships, which is key to retain existing clients and attract new ones.

The discretionary trading framework is currently being operationalised by Bursa Malaysia and is expected to come into effect in 2021.

Facilitating Diversity in Intermediary Models

The stockbroking segment is currently served by 31 stockbroking companies that undertake trading and clearing functions on Bursa Malaysia. In tandem with changing investor demands and technological innovation, the current market structure will need to evolve and provide opportunities beyond core intermediation areas.

Consequently, the SC is revising the stockbroking framework to allow for more flexible business models through the separation of trading and clearing memberships on the exchange. The new framework will not only provide opportunities for a more efficient capital structure but also for intermediaries to venture into specialised intermediation models and leverage their strengths in managing operational costs. It will also facilitate new entrants with differentiated value propositions such as digital-only brokers, execution-only brokers, multi-asset brokers and clearing-only brokers.

Enhancing Regulatory Requirements on the Issuance of Corporate Bonds and Sukuk

The SC had undertaken a review of the *Guidelines on Trust Deeds*, in line with recent market developments. As part of the review, various focus group sessions were conducted with key stakeholders such as investors, trustees, principal advisers and lawyers to gather detailed feedback on the proposed changes and enhancements.

As a result, the revised *Guidelines on Trust Deeds* were released on 23 July 2020. There were several enhancements aimed to facilitate operational efficiency and improve time-to-market for the industry, strengthen investor protection and increase trustees' ability to carry out their duties efficiently and effectively.

REVISED GUIDELINES ON TRUST DEEDS

Objectives	Key updates
Facilitate operational efficiency and improve time-to-market for industry	- To provide an exemption to perpetual corporate bonds or sukuk for certain events that constitute an event of default. - To extend exemptions for events of default and covenants to licensed insurers, licensed takaful operators, holding companies of licensed banking institutions and any other institutions for issuances of corporate bonds or sukuk to meet BNM requirements for regulatory capital.
Enhance investor protection	- To require issuers to seek the consent of bondholders or sukuk holders for any additions, variations, extensions or modifications to conditions subsequent.
Improve trustees' ability to carry out their duties more efficiently and effectively	- To increase the amount to be deposited in the Trustees' Reimbursement Account (TRA) and to vary the source of funds for the TRA.

Enhancing the Role of Capital Market Intermediaries

ENHANCE THE IPO/RTO FRAMEWORK TO ADDRESS CHALLENGES FACED

- To address material issues upfront to facilitate proper preparation of submissions to the SC
- To reinforce accountability standards of all advisers in order to promote quality submissions
- To encourage market feedback through longer prospectus exposure
- To address industry concern on small pool of corporate finance professionals who are able to make submissions to the SC

UPFRONT ENGAGEMENT WITH VARIOUS KEY STAKEHOLDERS ON MATERIAL ISSUES TO BE ADDRESSED TO SMOOTHEN REVIEW PROCESS

ENHANCED IPO/RTO APPROVAL PROCESS
Provide a platform for material issues to be discussed by applicant, principal advisers, lawyers, reporting accountants and other advisers, directly with the SC prior to submission

+

SC
sets out principle-based rules and regulations

+

PRINCIPAL ADVISERS
Granted flexibility with corresponding accountability reinforced

+

Industry-driven *Due Diligence Guide*

BUILD ACCESSIBLE AND AGILE CAPITAL MARKET FOR FUNDRAISING AND INVESTMENT

APPLICANT/ISSUER
Promote a more effective approval process for prospective issuers going to the public market

INVESTORS
Enable adequate, accurate and timely disclosures for public to make informed investment decisions

The SC issued the *Guidelines on Submission of Corporate and Capital Market Product Proposals* as well as revised the *Equity Guidelines* and *Prospectus Guidelines* in conjunction with the implementation of the new initial public offering (IPO) framework announced in July 2020. The new framework serves to promote shared responsibility among key stakeholders involved in the submission of an IPO for listing on the Main Market of Bursa Malaysia.

One of the key features of the new framework is the introduction of a mandatory pre-submission holistic consultation between the SC and key stakeholders including the applicant, principal advisers, lawyers, reporting accountants and valuers. This mandatory pre-submission session will facilitate discussions of any material issues and concerns prior to the submission of the IPO application.

The new framework also provides a longer exposure period of the draft prospectus until the date of registration of the prospectus, instead of the current 15-market-day exposure period. This will enable greater participation for the public to provide feedback on the draft prospectus.

In conjunction with the new IPO framework, the SC also announced the new Principal Adviser Framework, which encompasses a new Qualified Person (QP) regime and Senior Officer regime. Corporate finance advisers would no longer require the SC's approval to act as an Approved Principal Adviser to submit specific corporate proposals to the SC. Instead, qualified corporate finance advisers would only need the SC's recognition to act as Recognised Principal Advisers (RPA).

With the introduction of the new QP framework, which replaces the Qualified Senior Personnel (QSP), the RPA must have at least one QP working full time for each specific corporate proposal. Although the

SC's approval is not required for the appointment of a QP, the RPA must ensure that the QP fulfills the minimum criteria provided by the SC. In this respect, the SC has allowed all QSPs to be deemed qualified as QPs for the period up to 31 December 2021. This framework, which is also applicable for reverse take-over (RTO) submissions, will be effective from 1 January 2021.

To enhance the co-ordination and collaboration with the industry, the SC also engaged with capital market participants for them to develop a set of commonly accepted best practices for due diligence in the industry.

FACILITATING THE DEVELOPMENT OF THE UNIT TRUST FUND INDUSTRY

To facilitate the development of the unit trust fund industry, the SC embarked on a comprehensive review of the *Guidelines on Unit Trust Funds* at the end of 2019, which was followed by the issuance of a public consultation paper to seek feedback on proposals in November 2020. In tandem with its proportional and facilitative regulatory approach, the SC remains committed to foster innovation and competitiveness within a balanced and proactive oversight regime. The review takes into consideration the evolving needs of investors as well as the development and regulatory requirements in major fund jurisdictions.

Promoting a Faster Time to Market for Retail Feeder Funds

In 2020, the SC also enhanced the authorisation process for retail feeder funds. The improved process imposes responsibility on the management company to determine whether the target fund is suitable to be offered to the public via a feeder fund structure. In addition, it removes the need for a pre-submission consultation process, resulting in quicker time-to-market for management companies who have put in place robust processes to address investor needs and demands.

Expanding the Breadth and Range of Financial Advice

Given the critical role played by financial planners (FP) in the capital market, the SC has embarked on a 3-year joint action plan with the financial planning associations to align developmental efforts and areas for reform across the industry. It also aims to elevate the profile of the industry, attract new entrants and pave the way for the next generation of financial planners. The joint action plan identifies five strategic priorities and laid out 11 recommendations to grow and transform the financial planning industry into a holistic wealth advisory industry.

Recommendations under the Joint Action Plan (2020-2023) for financial planning industry

Increase competitiveness
1. Expansion of permitted FP services
2. Enhance product under advisory
3. Review regulatory streamlining
4. Enhancing regulatory efficiencies

Enhance talent pipeline
5. Enable mobility of financial professionals within a financial group to undertake FP services

Improve positioning
6. Strengthen enforcement effort over unlicensed persons
7. Develop programmes and initiatives to promote FP profession
8. Industry-wide technology digital committee

Strengthen professional standards
9. Elevate and harmonise industry best practices
10. Introduce baseline conduct requirements

Empower consumers
11. Enhance investor's access to financial planning

A key recommendation arising from the joint action plan was to enable financial planners to offer advice across a wider range of capital market products, including listed securities and unlisted debt securities. To that end, financial planners were required to meet enhanced competencies as well as conduct suitability asssessments in providing specific advice to clients.

The SC also allowed for collaboration between financial planners and other CMSL holders in executing the client's financial plan. This collaboration would allow for a more efficient and holistic execution of the financial plan as well as provide a greater value added service for investors. In the interest of investor protection, financial planners are required to be transparent on any fees charged and to secure clients' consent before entering into any arrangements.

ACMF PROFESSIONAL MOBILITY FRAMEWORK

The Professional Mobility Framework is an initiative under the ASEAN Capital Markets Forum (ACMF) to develop common standards for cross-border recognition of professionals and services, enabling the movements of professionals and services offered within participating ASEAN countries. The two measures covered under this framework are the ACMF Pass and the cross-border publication of research reports.

Under the ACMF Pass, qualified professionals adhering to a common standard are allowed to carry out investment advice activities in other ASEAN participating member countries. Complementing this, the cross-border publication of research reports issued by a licensed entity in a participating country can be made available in another ASEAN participating country through a hosting platform of a domestic-licensed entity.

A Memorandum of Understanding (MoU) to facilitate the implementation of this framework was signed by four participating countries i.e. Malaysia, the Philippines, Singapore and Thailand. As at December 2020, 14 investment advisers from participating countries were approved by the SC to carry out investment advice activity in Malaysia.

PROMOTING VIBRANCY IN THE CAPITAL MARKET

The SC has also introduced a number of initiatives to promote vibrancy within the capital market for both businesses and investors alike.

Providing Efficient Financing Solution for SMEs and MSMEs

The current economic situation has resulted in many small and medium enterprises (SMEs) facing difficulties in meeting their funding needs as well as in preparing for recovery beyond the pandemic-induced crisis. In this regard, convertible notes can serve as an alternative fundraising instrument, and are typically used by venture capital (VC) and private equity (PE) firms as a form of short-to medium-term bridge financing to investee companies.

Therefore, flexibilities were granted for businesses issuing convertible notes and Islamic convertible notes to VC and PE firms registered with the SC. Such flexibilities and improved efficiencies on the issuance of the convertible notes and Islamic convertible notes were provided through the *Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (LOLA Guidelines)*, which was revised on 28 April 2020. The new provisions allow businesses to lodge the issuances directly with the SC without requiring the services of a principal adviser, which helped to reduce time-to-market. Lodgement fees were also waived, further lowering the fundraising cost and allowing the fundraising process to be more cost-effective.

New provisions in the LOLA Guidelines outline the criteria for eligible convertible notes, including requirements for these convertible notes to be issued to and transferable only between VC and PE firms registered with the SC. The lodgement process has also been simplified by enabling the electronic submission of the required information via email.

Liberalising Alternative Investments for Fund Management Industry

The SC introduced liberalisation measures for investment in foreign real estate for the wholesale fund segment to recognise the importance for fund managers to remain competitive and responsive to the growing investor demand for a wider range of investment products.

Specifically, permitted investments of wholesale funds via special purpose vehicle (SPV) structures were expanded to include investments in foreign real estate. The categories of foreign real estate investment and the valuation requirements are set out in the LOLA Guidelines. To ensure appropriate property management, the LOLA Guidelines specify that the underlying foreign real estate must be managed by a manager that is licensed, registered, approved or authorised to carry out the said activity by the relevant regulator in its home jurisdiction.

These measures will expand growth boundaries by tapping investment opportunities in foreign properties offered by portfolio managers that possess real estate expertise. The proposition of such funds will encourage product innovation and add more depth to the Malaysian capital market.

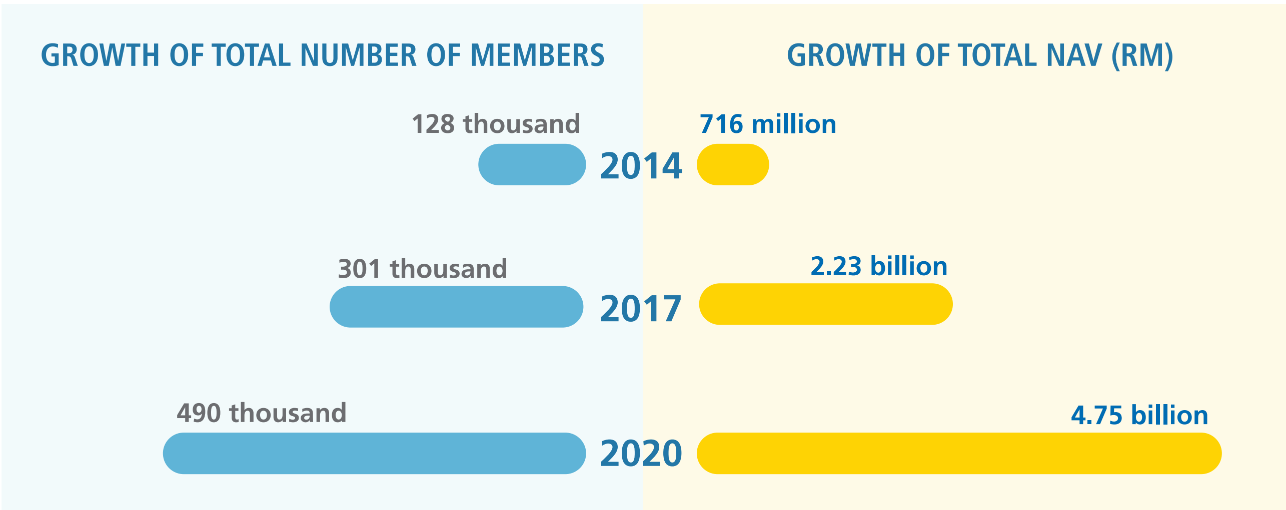
Strengthening Long-Term Growth for PRS Members

The SC recognises the instrumental role that PRS plays as an investment vehicle for retirement savings. It continuously undertakes initiatives to ensure that the PRS framework remains current and relevant. In the interest of long-term growth for PRS members and the competitiveness of the industry, the SC introduced liberalisation measures through the revised *Guidelines on Private Retirement Schemes* (Guidelines on PRS), which provides more flexibility in PRS fund structures and asset allocation for PRS funds. A key measure pursuant to this is the liberalisation of the default option in the core fund that enables the gradual transition of members to a less risky fund as they age.

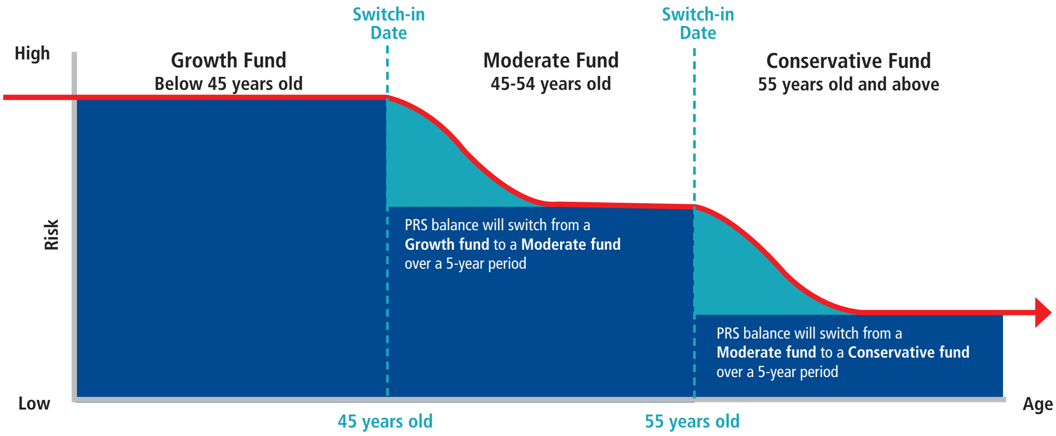
To further encourage retirement savings through PRS across different income levels, individual income tax relief of up to RM3,000 was extended for another four years under Budget 2021 from YA2022 to YA2025.

Despite the economic uncertainty, PRS continued to demonstrate positive growth in 2020 with total NAV reaching RM4.75 billion, which represents a growth of 35.7% compared to 2019. New members of PRS also increased by 7.6% from 2019.

Growth in PRS



New glide path design and age group for PRS members under default option



Source: Private Pension Administrator Malaysia

ALIGNING VALUES WITH SUSTAINABLE AND RESPONSIBLE INVESTMENTS

One of the key drivers propelling the interest and traction of SRI over the years is the growing demographics and introspection of socially responsible investors, focusing on climate change, green energy, health and safety of workforce. This became more apparent in 2020 following the impact of the health crisis. Given these trends, SRI continues to be one of the key priorities in the Malaysian capital market. In 2020, the SC embarked on several initiatives aimed at facilitating the advancement and development of the SRI ecosystem, including broadening the range of offerings for Shariah-compliant SRI products.

Enabling Greater Access to Capital for Companies with Green and Social Projects

In 2020, the SC had organised several technical workshops for bond market intermediaries to provide further clarity on regulatory requirements and technical aspects for the issuance of SRI sukuk as well as ASEAN green, social and sustainability bonds. These technical workshops were well-received by the intermediaries as they become more well-informed and are in a better position to advise their clients. In tandem with this, domestic credit rating agencies have offered climate and sustainability-related review services to boost confidence in such debt issuances, with one service provider obtaining international accreditation from a leading international climate bond certification body. As of December 2020, RM5.4 billion of SRI sukuk have been issued under the SRI Sukuk Framework since its introduction, out of which RM3.1 billion were dually recognised under the *ASEAN Green Bond Standards* and *ASEAN Sustainability Bond Standards.* In addition, a total of RM635 million ringgit-denominated bonds and a US$680 million foreign-currency denominated bond were issued under the *ASEAN Green Bond Standards* and *ASEAN Sustainability Bond Standards*, since the release of these standards.

To further accelerate the growth of SRI and promote more issuances of sukuk and bonds to finance the country's sustainable developmental needs, the Board of Trustees of the Capital Market Development Fund (CMDF) has approved on the expansion of the Green SRI Sukuk Grant Scheme to cover all sukuk issued under the SC's SRI Sukuk Framework as well as bonds issued under the ASEAN standards[2]. The grant provided by the CMDF is intended to incentivise issuers by offsetting up to 90% of external review costs incurred in the issuance process. Following the approval by the Board of Trustees of CMDF, the grant was subsequently rebranded as SRI Sukuk and Bond Grant Scheme. Accordingly, the tax exemption for the recipient of the grant has been extended for another five years from 2021 to 2025.

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[2] *ASEAN Green Bond Standards, ASEAN Social Bond Standards* and *ASEAN Sustainability Bond Standards.*

Enhancing the SRI Information Architecture for Greater Transparency and Accessibility

In designing a comprehensive information architecture within the capital market, particularly in promoting disclosure information on SRI sukuk and bond markets, the SC had collaborated with its affiliate, the Bond+Sukuk Information Exchange (BIX), to establish a dedicated SRI Centre.

The SRI Centre launched on 25 August 2020, provides enhanced transparency and access to information on ringgit-denominated SRI bond and sukuk issuances in the country. The one-stop hub was launched during the SRI Virtual Conference 2020 organised by the SIDC. Accessible via the BIX website, it provides comprehensive and up-to-date information from a single source to all market participants as well as the general public. The SRI Centre is part of the recommendation under the 5-year plan of the *Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market* (SRI Roadmap).

Accelerating Climate Resilience Through the Financial Sector

The health crisis has highlighted the far-reaching impact of the pandemic on the global economy, with demand and supply shocks spreading across borders. This had raised a further sense of urgency to the work of the Joint Committee on Climate Change (JC3) in supporting efforts to build resilience against adverse climate and environmental-related events and secure an orderly transition to a more sustainable economy.

As Co-Chair of the JC3, the SC jointly hosted its third meeting on 14 September 2020. The meeting discussed the progress of initiatives under its four sub-committees as well as the focus of priorities for the next 12 months. This includes capacity building, creating awareness and developing measures to help bridge current gaps in climate and environment risk-related information needed to support risk management and solutions on products by financial service providers.

The SC also serves as the Chair of the Sub-Committee 3 on Product and Innovation. In 2020, this sub-committee completed a Gap Analysis and several recommendations were identified. This included accelerating the roll-out of existing financial and capital market products, and introducing new products to finance the transition to a sustainable economy.

Enhancing Social Finance and Impact Investing Through the Islamic Capital Market

Waqf-Featured Fund Framework

In November 2020, the SC released a *Waqf*-Featured Fund (WQ-FF) Framework to facilitate the offering of unit trusts and wholesale funds with *waqf* feature. The framework provides a platform for fund managers to launch products that integrate commercial with social objectives. Investors will also have the opportunity to invest and participate in products that could deliver sustainable benefits for society.

WAQF-FEATURED FUND FRAMEWORK

Contains new requirements for WQ-FF to facilitate the offering of Islamic unit trust funds and Islamic wholesale funds with *waqf* feature.

Only Islamic unit trust funds and Islamic wholesale funds that comply with the requirements under the new chapter of the *Guidelines on Unit Trust Funds* and LOLA Guidelines respectively, can consider themselves as a fund with *waqf* feature.

These requirements provide guidance and clarity in the areas of investment objective and distribution policy, eligible *waqf* recipients, disclosure documents, information memorandum and product highlights sheet (where applicable), and breakdown of total amount distributed in the fund report.

Growing and Strengthening the Impact Economy Ecosystem

Co-organised by the SC and the Oxford Centre for Islamic Studies (OCIS), the SC-OCIS Roundtable is a strategic platform for intellectual discourse among a diverse group of stakeholders to deliberate and bring about greater understanding on topical issues relating to Islamic finance globally.

The 11th SC-OCIS Roundtable was held virtually for the first time on 15 and 16 October 2020. The Roundtable, themed 'Repurposing Islamic Finance for Longer Term Opportunities' was graced by His Royal Highness Sultan Nazrin Muizzuddin Shah, Sultan of Perak and the Royal Patron for Malaysia's Islamic Finance Initiative, with a special keynote address.

Central to the discussions at the Roundtable was the role of ICM in leading the impact investing ecosystem, which would ultimately provide greater reach with sustainable impact towards beneficiaries. Close to 50 distinguished participants comprising local and international scholars, industry practitioners, regulators and intermediaries shared their perspectives and exchanged views on the subject matter.

The Impact Investment Roundtable 2020 was initiated following the proceedings of the 10th SC-OCIS Roundtable in 2019. The main objective was to gather subject matter experts to discuss the way forward and formulate requisite foundations to grow and strengthen the Impact Economy Ecosystem in Malaysia. There were three series segregating stakeholder groups based on corresponding themes:

- **Intermediaries** – 'Building an Impact Investment Ecosystem: The Role of Islamic Capital Market Intermediaries in Impact Capital Intermediation';
- **Demand** – 'Achieving Sustainability and Profitability: Businesses Driving the Demand for Impact Capital'; and
- **Supply** – 'What's Next for Sustainable and Responsible Investment: The Impact Imperative'.

Each session gathered approximately 40 local and international experts from various sectors including the government, regulators, corporate organisations, social enterprises, business incubators and accelerators, university-led entrepreneurship centres, intermediaries, capacity-building organisations and non-governmental organisations. The Roundtable discussions led to key findings and recommendations for strategic action plans for ICM moving forward.

Driving the Global Sustainable Finance Agenda

The emphasis on a resilient and inclusive economic recovery has provided the SC with the impetus to accelerate sustainable finance efforts internationally and regionally. The SC's efforts to lead and participate actively in the sustainable finance agenda has been through the IOSCO, ACMF, and ASEAN Working Committee on Capital Market Development (WC-CMD). The SC's participation in the work of sustainable finance raises Malaysia's position as a regional leader and further informs ongoing initiatives to promote SRI within the Malaysian capital market.

Regionally, the SC continues to drive the sustainable finance agenda through the ACMF, a high-level forum of ASEAN capital market regulators tasked with developing and implementing capital market integration and connectivity initiatives. The SC as the co-chair of the ACMF Sustainable Finance Working Group played a significant role in the issuances of the *ASEAN Green Bond Standards* (2017) as well as the *ASEAN Social Bond Standards* and *ASEAN Sustainability Bond Standards* (2018). Since then, labelled issuances under all three standards continued to gain traction, achieving US$8.35 billion as of 31 December 2020. Malaysian issuances accounted for 19% of this total.

In May 2020, the ACMF published the *Roadmap for ASEAN Sustainable Capital Markets* (ACMF Roadmap) whose development was facilitated by the SC. The ACMF Roadmap provides a broad strategic direction for sustainable finance in the region's capital markets.

The ACMF Roadmap charts the vision to develop an open ASEAN capital markets ecosystem that facilitates and mobilises private sector capital in the financing of sustainable projects. It also guides the development of relevant action plans and initiatives for the next five years.

On a parallel note, the WC-CMD comprising representatives of regional Ministries of Finance, Securities Regulators and Central Banks, published a *Report on Promoting Sustainable Finance in ASEAN* (WC-CMD Report) in October 2020. During its co-chairmanship of WC-CMD from July 2018 to June 2020, the SC with its co-chair (Ministry of Finance, Viet Nam) led the development of the WC-CMD Report, which identifies recommendations on areas for collaboration between regional policymakers to further the sustainable finance agenda in ASEAN. These recommendations focused on the role of government and quasi-government sectors.

Within IOSCO, the SC is a member of the Sustainable Finance Network (SFN) that comprises 42 global regulators from both developed and emerging markets. Following the publication of the *SFN Report on Sustainable Finance and the Role of Securities Regulators and IOSCO* (SFN Report) in April 2020, IOSCO established the Board-level Sustainable Finance Task Force (STF), of which the SC is also a member. The objectives of the STF include improving sustainability-related disclosures, addressing greenwashing and other investor protection concerns, collaborating with other international organisations and regulators to avoid duplicative efforts, and enhancing co-ordination of relevant regulatory and supervisory approaches.

The STF work stream that SC participates in identifies areas for improvement in sustainability-related disclosures. With regard to the effort among the global standard setters[3] and the International Financial Reporting Standards Foundation to formulate a unifying system for sustainability reporting, IOSCO plays an important role to ensure that public interest considerations are taken into account for the future system architecture.

The SC is also a member of the IOSCO Asia Pacific Regional Committee Working Group on Sustainable Finance, which seeks to facilitate information-sharing, capacity building and awareness on ESG and climate-related financial risks within the Asia Pacific region. The SC has been part of continual efforts to address these issues, including facilitating a more consistent approach to address ESG and/or climate-related risk disclosures in the region.

[3] *Global Reporting Initiative, Sustainability Accounting Standards Board, Task Force on Climate-Related Financial Disclosures, Climate Disclosure Standards Board and International Integrated Reporting Council*

BUILDING CAPABILITIES AND OPPORTUNITIES

The SC continues to be a strong advocate for the development of talent and capabilities within the Malaysian capital market. These efforts are particularly important to maintain the relevance and competitiveness of the capital market, given the changing landscape of global and domestic markets. The capital market is also an important sector that provides employment opportunities in support of the national economic recovery agenda.

Ensuring Undisrupted Learning and Development

As the training and development arm of the SC, SIDC had accelerated its enterprise-wide digital strategy through innovation and conversion of its products and services into online or digital modes of delivery such as e-learning and webinars, virtual conferences, online assessments and study guides.

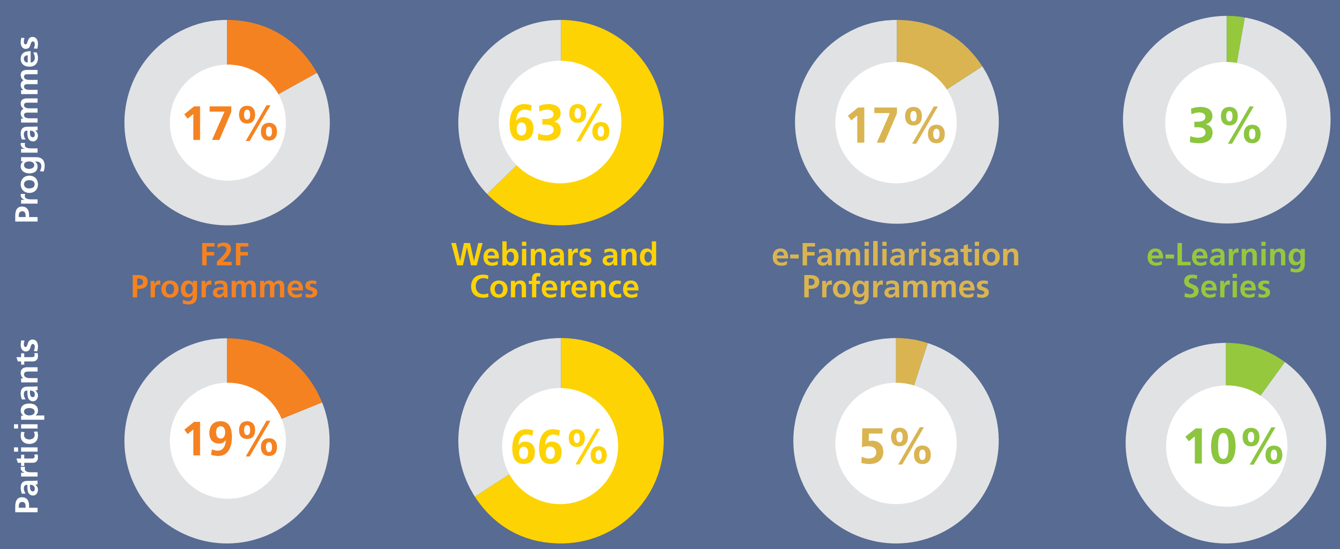
Following the announcement of the MCO in March 2020, SIDC had converted 20 webinars and three e-learning programmes for roll-out in April 2020 to ensure undisrupted learning and development for the industry.

With the pivot to digitisation, 83% of SIDC's programmes were made available in virtual or digital formats to address customer and client needs during the pandemic. This is unlike SIDC's previous delivery modes whereby programmes were carried out physically or face-to-face (F2F).

As of 31 December 2020, the range of digitised programmes, which included 79 webinars, two conferences, 22 e-Familiarisation Programmes, three e-learning series programmes, and 22 F2F in-house programmes, had served a total of 4,378 participants.

As part of its thought leadership programme, SIDC organised the first virtual conference on 'Sustainable and Responsible Investment' (SRI Conference 2020) in August 2020 with 424 participants. This was followed

SIDC'S VIRTUAL TRAINING PROGRAMMES IN 2020



Distribution of participants across SIDC programmes by the annual Business Foresight Forum (BFF 2020), which was held virtually in November 2020 with 484 participants. This is a positive indicator that participants have been receptive to the digitisation of learning and development, in comparison to an average of 226 participants who attended the SIDC's physical conferences in 2019.

Talent and Capacity Building Within the Capital Market

The Government's measures under the National Economic Recovery Plan (*PENJANA*) focuses on three key thrusts; namely Empower People, Propel Businesses and Stimulate the Economy. The SC and SIDC collaborated to develop three key initiatives centered on developing a steady pipeline of young and capable talent within the capital market while providing reskilling pathways to facilitate greater job opportunities in light of the challenges arising from the pandemic.

These initiatives, which began in June 2020, included structured training and familiarisation programmes for fresh graduates, youths and workers displaced from previous roles. Under these initiatives, approximately 60 entities within the capital market ecosystem have expressed interest to participate and 141 candidates have undergone the programmes as of December 2020.

SIDC SUSTAINABLE AND RESPONSIBLE INVESTMENT CONFERENCE 2020

The SRI Conference 2020 was not only SIDC's first virtual conference but was also its first foray into the area of sustainability. The conference was an example of SIDC's offerings that were successfully delivered in fully digital mode. Centred on the SC's SRI Roadmap launched in November 2019 including its *5-i* strategy, the inaugural virtual conference was met with positive response from various segments of the capital market.

"Tools of The Trade: How Fintech and Technology assist ESG development and digitalisation as an enabler of Sustainability"*

* *top-rated panel session* for SRI 2020

Positive feedback

- Informative and comprehensive
- Very good conversations and presentations
- Relevant topics to the current economic scenario
- Good format with a lot of panel Q&A
- Good overview of the subject

The purpose of this conference served to help business leaders and policymakers recognise the challenges and opportunities posed by unprecedented changes in global market developments and work together in responding to them, not just in terms of corporate profits and purpose, but more importantly now, how businesses could make a positive long-term impact on the society and the environment.

SIDC has also embarked on a collaboration with the Institute for Capital Market Research Malaysia (ICMR) to undertake studies on talent issues impacting overall capital market development. Several engagement sessions with capital market leaders and human resource practitioners in the industry were conducted to obtain feedback and insights into some of the challenges in developing and sustaining the talent pipeline, particularly during the pandemic and its effect on employment. Through consistent engagements, SIDC is able to provide more relevant and responsive programmes to increase market competitiveness.

STRUCTURED TRAINING AND FAMILIARISATION PROGRAMMES IN SUPPORT OF PENJANA

Capital Market Graduate Apprenticeship

The Capital Market Graduate Apprenticeship (CMGA) is a partnership programme between the industry and SC together with SIDC to coinvest in the talent development of fresh graduates and to strengthen their employability as they enter the workforce. This is achieved through a one-year structured training programme whereby participating companies will drive recruitment and training of fresh graduates, guided by SIDC's framework on training and development.

Participating companies were also provided **a training grant of RM12,000** per graduate to execute a training programme for fresh graduates employed from June 2020 and extended till June 2021, coupled with a capital market introductory training course for the graduates provided by SIDC.

Corporate Finance Training Scheme

The Corporate Finance Training Scheme (CFTS) support the professional development of youths and grow a pipeline of younger talents in the corporate finance sector. This Scheme is open to youths age 35 years and below, newly recruited into corporate finance departments, or existing employees in CMSL holders.

This initiative provides relevant participating companies **a grant of RM3,500 per youth** to cover the training and examination fees for Module 12: Investment Management and Corporate Finance and Module 19: Advisory Services (Rules and Regulations).

Marketing Representative Training Scheme

Marketing Representative Training Scheme (MRTS) aims to provide displaced workers from their jobs specifically with an opportunity to reskill and enhance their employability as they seek to pursue Marketing Representatives roles within the capital market.

This initiative will see **candidates receiving up to RM800** to cover the cost of training, including the Familiarisation Programme for Marketing Representatives (FPMR) and the subsequent training days required upon registering as Marketing Representatives.

Islamic Capital Market Graduate Training Scheme 2.0

First developed in 2009 by the SC and SIDC, the ICM Graduate Training Scheme (ICMGTS) is an eight-week intensive training programme aimed at creating a pool of capital market talent to facilitate the development of the ICM in Malaysia. The ICMGTS provides an avenue for learners to acquire the right and additional skillsets essential to the capital market industry, as well as fundamental knowledge of the ICM. This programme incorporates five main building blocks, namely Islamic Capital Market, General, Behavioural, Leadership and Fintech.

At the onset of the COVID-19 outbreak, the programme was revised to ICMGTS 2.0 to adapt and form part of the capacity-building initiatives offered by the SC and run by the SIDC under *PENJANA*. The new enhanced ICMGTS 2.0 now includes an internship programme for its trainees, geared towards enabling employment opportunities in the new normal as well as channelling fresh talents for the future development needs of the Malaysian ICM ecosystem. The two-month programme commenced in September 2020 and was conducted with 50 participants.

ENABLING IMMEDIATE OPPORTUNITIES AND FACILITATING RECOVERY

The SC had focused its efforts on enabling immediate opportunities and facilitating recovery by enhancing accessibility to the capital market, and accelerating the development of an ecosystem that promotes sustainable and responsible investment.

PART
05
STATEMENTS, STATISTICS AND ACTIVITIES

BOARD MEMBERS

1. Datuk Syed Zaid Albar
2. Datuk Zainal Izlan Zainal Abidin
3. Dato' Wee Hoe Soon @ Gooi Hoe Soon
4. Datuk D.P. Naban
5. Dr Zunika Mohamed
6. Datin Rashidah Mohd Sies

https://www.sc.com.my/about/board-members

1 DATUK SYED ZAID ALBAR

Appointed 1 November 2018

Datuk Syed Zaid Albar is the Executive Chairman of the Securities Commission Malaysia (SC). Prior to his appointment as the SC Chairman on 1 November 2018, he was the Managing Partner of an established law firm in KL.

Currently, Datuk Syed Zaid chairs the Capital Market Development Fund (CMDF) and is a member of the Board of Trustees of the Financial Reporting Foundation. He was also appointed as a Board member of Securities Industry Development Corporation (SIDC) in January 2020. As the Chairman of the SC, Datuk Syed Zaid is a member of Bank Negara Malaysia's Financial Stability Executive Committee (FSEC) chaired by the Governor of BNM.

Datuk Syed Zaid represents the SC as the Asia Pacific representative on the governing Board of the International Organisation of Securities Commissions (IOSCO), the global body of capital market regulators. He is also the Vice Chair of the Management Committee of the IOSCO Asia Pacific Hub based in Kuala Lumpur. Syed Zaid also represents the SC in the ASEAN Capital Markets Forum (ACMF).

Datuk Syed Zaid is a Barrister at Law of the Lincoln's Inn, UK. He has a degree in law from the United Kingdom. Prior to joining the SC he has been an active practitioner for over 38 years, predominantly in the fields of corporate law, banking and capital market (debt and equity) in the area of both conventional and Islamic finance. His contribution and achievements in the legal practice has been recognised through numerous domestic and international awards.

2 DATUK ZAINAL IZLAN ZAINAL ABIDIN

Appointed 5 April 2018

Datuk Zainal Izlan Zainal Abidin was appointed Deputy Chief Executive of the SC on 5 April 2018. He joined the SC in January 2011 as Executive Director, Islamic Capital Market and was appointed Managing Director, Development and Islamic Markets in November 2016. He currently provides direct oversight on the SC's Surveillance and Supervision functions as well as the People and Corporate Resources division.

He is also Chairman of Capital Markets Malaysia, an entity established by the SC to promote the Malaysian capital market. Datuk Zainal Izlan has over 30 years' experience in the financial services industry. He began his career with Citibank before moving to MIDF Amanah Asset Management. Just before joining the SC, Datuk Zainal Izlan was the CEO of i-VCAP Management.

Datuk Zainal Izlan holds a Bachelor of Science in Economics (dual concentration in Accounting and Finance) from The Wharton School, University of Pennsylvania, US, and is a Chartered Financial Analyst (CFA) charterholder.

3 DATO' WEE HOE SOON @ GOOI HOE SOON

Appointed 1 January 2019

Dato' Gooi Hoe Soon has over 35 years of experience in the fields of accounting and corporate finance. He was instrumental in the successful implementation of several corporate exercises, which includes merger and acquisition and corporate debt restructuring exercises by PLCs. He currently sits on the Board of Yinson Holdings Bhd, Red Ideas Holdings Bhd, Perusahaan Sadur Timah Malaysia Bhd and is an alternate director of Hup Seng Industries Bhd. Dato' Gooi is also a member of the Debt and Liability Management Committee.

Dato' Gooi was the former Chairman of the Board of EON Bank Bhd from 2009 to 2012, Chairman of Amity Bond Sdn Bhd, Deputy Chairman of Avenue Capital Resources Bhd and board member of AIA Bhd. He was also the CEO/Executive Director-Dealing of Avenue Securities Sdn Bhd. Dato' Gooi is a Member of the Malaysian Association of Certified Public Accountants and Malaysian Institute of Accountants.

4 DATUK D.P. NABAN

Appointed 1 January 2019

Datuk Naban is currently a Senior Partner at Rosli Dahlan Saravana Partnership. He was called to the Malaysian Bar in 1981. He is a litigator who specialises in civil, commercial and tax disputes.

Datuk Naban holds a Bachelor of Laws from the University of London and is a Barrister at Law of the Lincoln's Inn, UK.

5 DR ZUNIKA MOHAMED

Appointed 1 June 2020

Dr Zunika Mohamed is currently the Deputy Director General (Macro), Economic Planning Unit of the Prime Minister's Department. She is a trained economist and has served in various capacities at several ministries over the last 25 years, including an earlier stint at the Economic Planning Unit.

She holds a doctorate in Economics from Universiti Putra Malaysia and obtained her postgraduate and undergraduate economics degrees at the International Islamic University, Malaysia and University of Texas, US respectively. Dr Zunika also has a diploma in Public Administration from the National Institute of Public Administration (INTAN) Malaysia.

6 DATIN RASHIDAH MOHD SIES

Appointed 15 September 2020

Datin Rashidah Mohd Sies is currently the Under-Secretary of the Government Investment Companies Division of the Ministry of Finance, a position she has held since 1 April 2018. Datin Rashidah has served the Ministry of Finance for more than 29 years. She brings on-board a wealth of knowledge and experience, being at the forefront of issues pertaining to investment, finance, economic policies, federal budgeting, and financial legislation and regulation, among others.

Datin Rashidah obtained a Master of Business Administration from International University California, US, following a Bachelor's degree in Business Administration (Finance) from Idaho State University, US. She holds a Diploma from INTAN.

EXECUTIVE TEAM

Datuk Syed Zaid Albar
Chairman

Datuk Zainal Izlan Zainal Abidin
Deputy Chief Executive

Foo Lee Mei
Chief Regulatory Officer

Chin Wei Min
Executive Director, Digital Strategy & Innovation

Kamarudin Hashim
Executive Director
Market & Corporate Supervision

Salmah Bee Mohd Mydin
Executive Director
Market Development

Sharifatul Hanizah Said Ali
Executive Director, Islamic Capital Market Development

Dato' Zain Azhari Mazlan
Executive Director
Corporate Finance & Investments

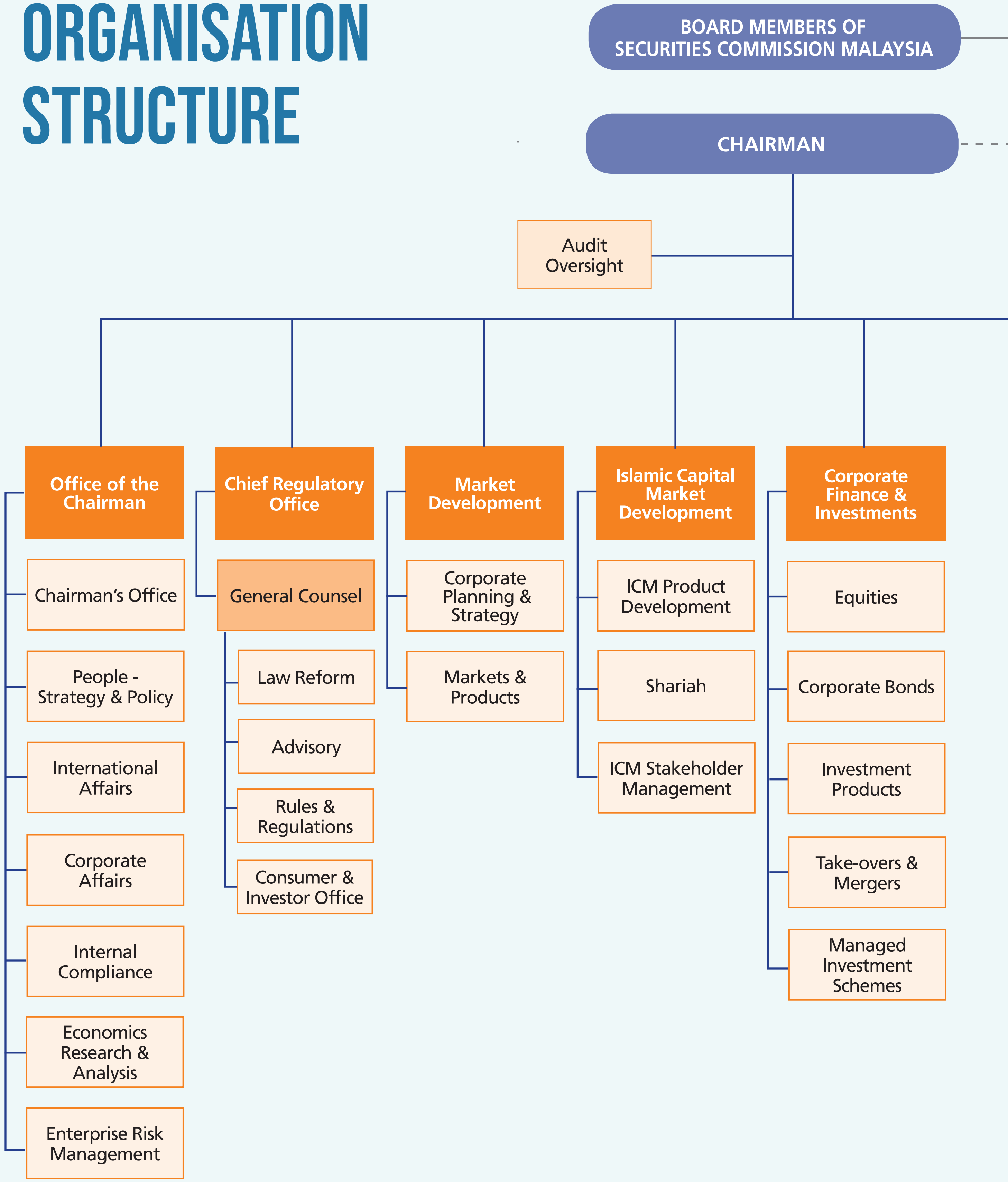
Yew Yee Tee
Director, Intermediary & Fund Supervision

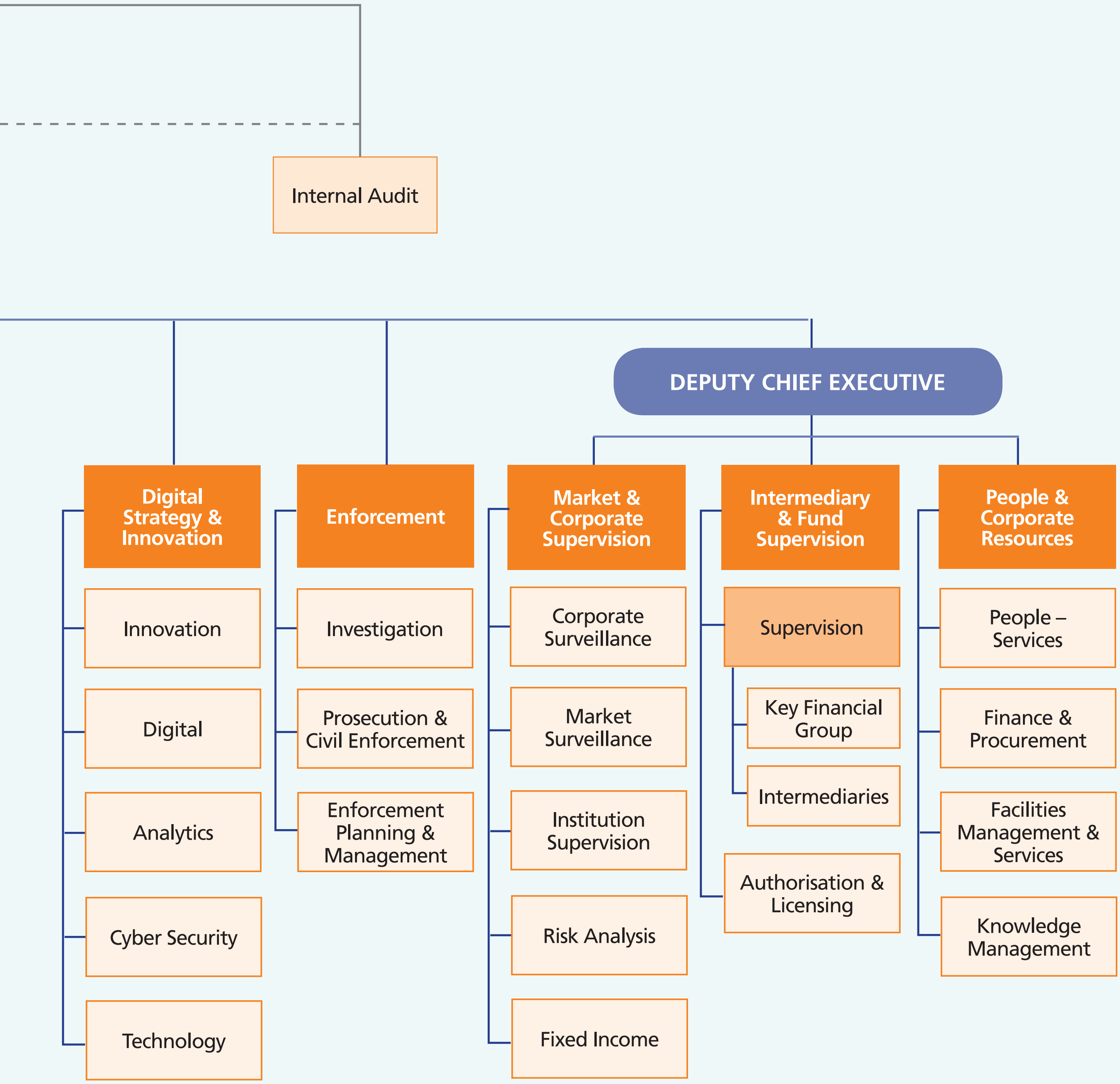
SHARIAH ADVISORY COUNCIL MEMBERS

1. **Datuk Dr Mohd Daud Bakar –** Chairman
2. **Associate Professor Dr Aznan Hasan –** Deputy Chairman
3. **Dr Shamsiah Mohamad**
4. **Professor Dr Engku Rabiah Adawiah Engku Ali**
5. **Professor Dr Ashraf Md. Hashim**
6. **Professor Dr Asmadi Mohamed Naim**
7. **Associate Professor Dr Mohamed Fairooz Abdul Khir**
8. **Professor Dato' Dr Mohd Azmi Omar**
9. **Dr Zaharuddin Abdul Rahman**

https://www.sc.com.my/development/islamic-capital-market/members-of-the-scs-shariah-advisory-council

ORGANISATION STRUCTURE




Internal Audit
DEPUTY CHIEF EXECUTIVE
Digital Strategy & Innovation
Innovation
Digital
Analytics
Cyber Security
Technology
Enforcement
Investigation
Prosecution & Civil Enforcement
Enforcement Planning & Management
Market & Corporate Supervision
Corporate Surveillance
Market Surveillance
Institution Supervision
Risk Analysis
Fixed Income
Intermediary & Fund Supervision
Supervision
Key Financial Group
Intermediaries
Authorisation & Licensing
People & Corporate Resources
People – Services
Finance & Procurement
Facilities Management & Services
Knowledge Management

STATEMENT ON GOVERNANCE

The Securities Commission Malaysia (SC) is a statutory body established under the SCMA to regulate and develop the Malaysian capital market. The SC's mission is to promote and maintain fair, efficient and transparent securities and derivatives markets and to facilitate the orderly development of an innovative and competitive capital market. It is committed to ensure investor protection, fair and orderly markets; and monitor, mitigate and manage systemic risks arising from the capital market. The SC's responsibilities, powers and authorities are clearly defined and transparently set out in the securities laws, namely the SCMA, CMSA and *Securities Industry (Central Depositories) Act 1991* (SICDA).

ABOUT THE COMMISSION

Board Members

The Board is responsible for the overall governance of the Commission. The Minister of Finance appoints Board members. The Board comprises an Executive Chairman, a Deputy Chief Executive and 7 other members who may include persons representing the government and private sector. The Executive Chairman is entrusted with the day-to-day administration of the SC as provided by section 4B(1) of the SCMA. Datuk Syed Zaid Albar assumed the position of Executive Chairman on 1 November 2018. A profile of Board members is featured on pages 102 to 105 and their involvement in the various committees established by the Board is provided on page 112.

The Executive Chairman is appointed for a term of 3 years, and is eligible for reappointment upon completion of his or her term. Other Board members are appointed for a term of 2 years, and are eligible for reappointment upon completion of the term.

A person is disqualified from holding the office of a Board member if he or she holds a full time office in any PLC, becomes a member of either Houses of Parliament, or becomes an officer or director of an entity that is regulated by the Commission. Furthermore, a Board member will also be disqualified if he or she:

- Is convicted of an offence under the law involving fraud, dishonesty, corruption or violence;
- Is declared a bankrupt;
- Is not capable of discharging his or her duties;
- Fails to attend 3 consecutive meetings of the Board without leave;
- Conducts himself in such a way as to bring disrepute to the Commission;
- Fails to disclose his or her interests; or
- Becomes involved in any activity which may interfere with his or her independence in discharging his or her functions.

The SCMA requires a Board member to manage conflicts of interest by disclosing his or her interest in any matter under discussion by the Board or any of its committees. Once a disclosure has been made, he or she:

- Shall neither take part nor be present in any deliberation or decision of the Board or its committees; and

- Shall be disregarded for the purposes of constituting quorum of the Board or its committees, relating to the matter.

Functions of the Commission

The Commission shall have the following functions:

- To advise the Minister on all matters relating to the capital market;
- To regulate all matters relating to the capital market;
- To ensure that the provisions of the securities laws are complied with;
- To regulate the take-overs and mergers of companies;
- To promote and regulate all matters relating to fund management, including unit trust schemes (UTS) and PRS;
- To be responsible for supervising and monitoring the activities of any exchange holding company, stock exchange, derivatives exchange clearing house and central depository;
- To take all reasonable measures to maintain the confidence of investors in the capital market by ensuring adequate protection for such investors;
- To promote and encourage proper conduct among participating organisations, participants, affiliates, depository participants and all licensed or registered persons of an exchange, clearing house and central depository, as the case may be;
- To suppress illegal, dishonourable and improper practices in the capital market, and the provision of investment advice or other services relating to the capital market;
- To consider and make recommendations for the reform of the securities laws;
- To encourage and promote the development of the capital market in Malaysia including research and training in connection thereto;
- To encourage and promote self-regulation by professional associations or market institutions in the capital market;
- To license, register, authorise, approve and supervise all persons engaging in regulated activities or providing capital market services as may be provided for under any securities law;
- To promote and maintain the integrity of all licensed persons, registered persons, approved persons and participants in the capital market;
- To register or recognise all auditors of PIEs or schedule funds, and to exercise oversight over any person who prepares a report in relation to financial information of PIEs or schedule funds, in relation to capital market activities;
- To promote confidence in the quality and reliability of audited financial statements in Malaysia, and to promote and develop an effective and robust audit oversight framework in Malaysia;
- To take all reasonable measures to monitor, mitigate and manage systemic risks arising from the capital market;
- To promote and regulate corporate governance and approved accounting standards of listed corporations; and
- To set and approve standards for professional qualification for the capital market.

The Commission also has the functions and powers conferred upon it by or under the securities laws.

Board Meetings

Ten Board meetings were held in 2020. The quorum required is 5. The attendance record is set out in Table 1.

The work of the Board in governing the SC is facilitated by various board committees established under section 18 of the SCMA, as listed in Table 2. Membership of these board committees comprise of Board Members as well as any other person as may be appointed by the Board. In this regard, in January 2020, the Board had appointed an independent member to the Take-Overs and Mergers Committee pursuant to section 18(2)(b) of the SCMA

TABLE 1

Attendance at Board meetings

Board Member	Number of meetings attended
Datuk Syed Zaid Albar	10/10
Datuk Zainal Izlan Zainal Abidin	10/10
Tan Sri Noorul Ainur Mohd Nur[1]	3/10
Datuk Dr Khaw Lake Tee[2]	6/10
Johan Mahmood Merican[3]	2/10
Ahmad Faris Rabidin[4]	8/10
Dato' Gooi Hoe Soon	10/10
Datuk D.P Naban	10/10
Dr Zunika Mohamed[5]	5/10
Datin Rashidah Mohd Sies[6]	3/10

1 Retired from the Board on 4 April 2020.
2 Retired from the Board on 16 August 2020.
3 Retired from the Board on 16 August 2020.
4 Retired from the Board on 3 November 2020.
5 Appointed to the Board on 1 June 2020.
6 Appointed to the Board on 15 September 2020.

AUDIT COMMITTEE

The Audit Committee comprises non-executive members of the SC as shown in Table 2, who are appointed by the Board. The purpose, authority and responsibilities of the Audit Committee are set out in the Audit Committee Charter as approved by the

TABLE 2

Board Committees

Committee	Key Responsibility
1. **Audit Committee**	Review effectiveness of the SC's risk management and internal control systems; and review the annual financial statements.
2. **Issues Committee**	Review and decide on primary listings of corporations and business trusts on the Main Market; acquisition of assets which results in a significant change in business direction or policy of a corporation or business trust listed on the Main Market; secondary or cross listings of foreign corporations or foreign business trusts on the Main Market; and the establishment of listed schemes.
3. **Take-Overs and Mergers Committee**	Review take-over and merger related applications of a novel and/or complex nature and matters relating to national policy.
4. **Managed Investment Schemes Committee[8]**	Approve the establishment of listed REITs.
5. **Licensing Committee**	Evaluate and approve (or reject) application for the grant of a new Capital Markets Services Licence (CMSL), application for new licensed representatives, directors, key management or compliance officers that are submitted together with the new CMSL application, application relating to PRS providers and consider any policy recommendations relating to licensing issues.
6. **Nomination and Remuneration Committee**	Assess and formulate the remuneration of the Executive Chairman and Deputy Chief Executive and make appropriate recommendations to the Minister of Finance.

Members
• Dato' Gooi Hoe Soon (Chairman) • Tan Sri Noorul Ainur Mohd Nur[1] • Datuk Dr Khaw Lake Tee[2] • Ahmad Faris Rabidin[4] • Datuk DP Naban • Dr Zunika Mohamed[5]
• Datuk Syed Zaid Albar (Chairman) • Datuk Zainal Izlan Zainal Abidin • Ahmad Faris Rabidin[4] • Dato' Gooi Hoe Soon • Datuk D.P Naban • Datin Rashidah Mohd Sies[6]
• Datuk Syed Zaid Albar (Chairman) • Datuk Zainal Izlan Zainal Abidin • Tan Sri Noorul Ainur Mohd Nur[1] • Johan Mahmood Merican[3] • Datuk D.P Naban • Dato' Gooi Hoe Soon • Datin Rashidah Mohd Sies[6] • Lynette Yeow Su-Yin[7]
• Datuk Syed Zaid Albar (Chairman) • Datuk Zainal Izlan Zainal Abidin • Tan Sri Noorul Ainur Mohd Nur[1] • Datuk Dr Khaw Lake Tee[2]
• Datuk Syed Zaid Albar (Chairman) • Datuk Zainal Izlan Zainal Abidin • Datuk Dr Khaw Lake Tee[2] • Ahmad Faris Rabidin[4] • Dato' Gooi Hoe Soon • Dr Zunika Mohamed[5]
• Ahmad Faris Rabidin[4] (Chairman) • Datuk D.P Naban (Chairman) • Dato' Gooi Hoe Soon • Dr Zunika Mohamed[5]

1 Retired from the Board on 4 April 2020.
2 Retired from the Board on 16 August 2020.
3 Retired from the Board on 16 August 2020.
4 Retired from the Board on 3 November 2020.
5 Appointed to the Board on 1 June 2020.
6 Appointed to the Board on 15 September 2020.
7 Appointed on 10 Jan 2020 pursuant to Section 18(2)(b) of the SCMA.
8 On 21 November 2020, the functions were merged with Issues Committee.

Board. Essentially, the Audit Committee provides oversight of the SC's governance, risk management and internal control practices.

The Audit Committee also provides oversight of internal audit activities, including approving Internal Audit Charter and Annual Internal Audit Plan. The Audit Committee is responsible for the review of the external auditors' proposed audit scope, approach and performance, including reviewing all significant matters relating to the financial statements with Management and the external auditors. For the current financial year, the Audit Committee had convened 6 meetings.

SHARIAH ADVISORY COUNCIL

The SAC is mandated to ascertain the application of Shariah principles on any matter relating to Islamic capital market (ICM) and plays an important role in the development of Malaysia's ICM. It advises the Commission on any Shariah issue relating to ICM and issue rulings on ICM which are published for the benefit of the industry.

The 9 SAC members as listed in Table 3, serve for a 3-year period commencing 1 July 2020, as assented by the Yang di-Pertuan Agong under Section 31ZK of the SCMA.

TABLE 3

Shariah Advisory Council members

No.	SAC Members
1.	Datuk Dr Mohd Daud Bakar (Chairman)
2.	Associate Professor Dr Aznan Hasan (Deputy Chairman)
3.	Dr Shamsiah Mohamad
4.	Professor Dr Engku Rabiah Adawiah Engku Ali
5.	Professor Dr Ashraf Md. Hashim
6.	Professor Dr Asmadi Mohamed Naim
7.	Associate Professor Dr Mohamed Fairooz Abdul Khir
8.	Professor Dato' Dr Mohd Azmi Omar
9.	Dr Zaharuddin Abdul Rahman

AUDIT OVERSIGHT BOARD

The AOB was established under Part IIIA of the SCMA and its mandate is to assist the SC in discharging its regulatory function in respect of developing an effective audit oversight framework, promoting confidence in the quality and reliability of audited financial statements, and regulating auditors of PIE and scheduled funds.

The AOB also exercises oversight over any person who prepares a report relating to the financial information of PIE and schedule funds, in relation to capital market activities. The AOB members are appointed by the Board (Table 4).

TABLE 4

Audit Oversight Board members

No.	AOB Members
1.	Dato' Gumuri Hussain (Non-Executive Chairman)[1]
2.	Dato' Anantham Kasinather (Non-Executive Chairman)[2]
3.	Alex Ooi Thiam Poh (Executive Officer)
4.	Salmah Bee Mohd Mydin
5.	Hew Ee-Lu
6.	Nor Azimah Abdul Aziz
7.	Dato' Darawati Hussain
8.	Dato' Seri Ahmad Johan Mohammad Raslan[3]

1 Retired as Non-Executive Chairman on 23 November 2020.
2 Appointed as AOB Non- Executive Member on 1 January 2020. and thereafter as Non-Executive Chairman on 1 December 2020.
3 Appointed on 1 December 2020.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Commission is committed to maintaining strong risk management and internal control, which is an integral component of its governance arrangement.

Risk Management

The SC has put in place various measures to manage and mitigate possible risks associated with the operations of the SC. The Board is responsible for reviewing and adopting appropriate systems and controls to manage the enterprise risks of the SC. The Audit Committee, on behalf of the Board, provides an independent assessment of the effectiveness of the Enterprise Risk Management (ERM) framework.

The Executive Chairman with the assistance of the Executive Team is responsible for the effective management of risk and internal control within the SC. The risk committee led by the Executive Chairman provides the necessary challenges, deliberation and strategic direction on risks faced by the SC. At the departmental level, risk officers are responsible to identify and manage the risks faced by the respective departments in carrying out their day to day operations. The roles undertaken by the three lines of defence also support the Board and the SC Management in managing risk of the SC.

Management of internal risks of the SC is guided by the ERM framework which aims to assess risks across all facet of the Commission. This framework is consistent with the International Organization for Standardization (ISO) for risk management (ISO: 31000). It involves systematically identifying, analysing, measuring, monitoring and reporting on risks that may affect the achievement of the Commission's business objectives. The ERM framework is based on the primary and support activities outlined in Diagram 1.

DIAGRAM 1

ERM approach and activities

SUPPORT ACTIVITIES

Holistic risk identification	Management input on current and emerging risk identification
Integrated Risk Register	Timely, accurate and comprehensive risk assessment from all departments
Governance, Risk & Compliance	Information sharing for better management of risk from governance, risk and compliance prespective
Continuous Risk Education	Increasing skill sets by acquiring knowledge and competencies in risks

PRIMARY ACTIVITIES

Risk Management Scope	Integration	Assessment	Responses	Response Assessment	Monitoring Compliance
• Enterprise • Business Group • Department	• Business functions / activities • Key risk indicators	• Measurement • Internal control	• Risk treatment • Action plans	• Internal control and action plans effectiveness	• Escalate irregularities for further action • Continuous education to cultivate a strong risk culture

Furthermore, the Board and Management drive a proactive risk management culture with regular risk awareness and engagement sessions being carried out to ensure risks officers and the SC employees have a good understanding and application on the expectations and management of risk. This also facilitates the strengthening of risk management initiatives for effective and efficient response to the constantly evolving operating environment.

As part of growth and embracing a culture of continuous improvement, during the year, the SC undertook a maturity assessment on the ERM Framework by an independent external consultant. Enhancement recommendations to the various components of the framework have been identified along with an implementation timeline.

Internal Controls

The SC has put in place a suite of internal control measures in the form of policies and procedures covering operational matters in terms of governance, staffing, procurement, operations resiliency, data protection and risk management with the objectives to provide assurance on the effectiveness of control environment.

GOVERNANCE AND COMPLIANCE

The *Code of Conduct* for Members of the Board sets out the expectations required of Board Members in the discharge of their duties.

The *Code of Conduct* sets out the expectations required of employees on ethical conduct and standards of behaviour.

The *Statement of the SC's Principles and Standards* facilitates efficient and ethical engagement between the SC and its external stakeholders, which include suppliers, contractors, vendors and consultants. The SC also expects its business stakeholders and all market participants engaging with the SC to emulate similar ethical principles.

Feedback channels for the SC employees and agents to raise concerns on employee conduct, including the Internal Whistleblowing Procedure to expose or report internal wrongdoing or suspected breaches of law within the organisation.

The Framework for Handling External Complaints Against the SC Employees, sets out the process for handling complaints made by external parties against any employee of the SC in relation to the discharge of his functions.

Conflict of Interest Declaration processes in which Board members and employees must comply with when faced with a conflict of interest situation

The *Compliance Management Guidelines* provides a structured approach to ensure compliance with the laws, regulations and internal governance standards, which impact the day-to-day operations of the SC.

The Compliance and Ethics programme, an interactive e-learning tool, aims to help SC employees understand the principles of the SC's internal governance standards. These modules are intended to reaffirm the importance of maintaining the high standards of ethics, values and behaviour that the SC and its employees must continue to be associated with. The programme is imposed on new staff and all staff are required to undertake the programme every 2 years.

Business Processes and Procedures

- As part of building the employees' understanding of the SC's operations, Business Process Flows and other relevant business process guidance documents, which serve as guide for employees in the discharge of their functions, are made available on the SC's intranet. These business process flows and guidance documents are subject to annual review by respective owners.
- The *Procurement Policy and Guidelines* was established to ensure fair and orderly sourcing and acquisition of goods and services for the SC. It includes a procurement strategy outlining proper guidance on the end-to-end procurement process as well as the reinforcement of good procurement governance and control.
- The *Asset Management Policy and Guidelines* sets out the treatment of assets in the SC to

ensure that the SC's fixed assets are safeguarded and properly recognised and maintained in good working condition.

Information and Knowledge Management

- Authorisation for Disclosure of Information Policy governs the release of information from the SC that is not in the public domain.

- The *Data Loss Mitigation Guidelines* acts as a reference point for employees in handling both physical and electronic records containing sensitive information. The Guidelines ensure sensitive information is appropriately secured from unauthorised disclosure and protected from alteration, corruption, loss or misuse, while preventing reputational damage and adversely impacting our stakeholders.

- The *Records Management Policy* was established to give clear guidance of the standards and procedures that need to be put in place to ensure that records are fit to be used as evidence and/or information by the SC, in carrying out business operations or legal obligations.

- Retention and dissemination process was improved to allow staff better access to knowledge and information to assist in their daily tasks.

OPERATIONAL RESILIENCE

- Business continuity management arrangements were put to test in the fullest extent due to COVID-19 pandemic in 2020. The established business continuity arrangements have responded well throughout the various phases of the movement control order period. These arrangements ensured continuity of operations from all angles; premise, human capital, technology and business processes. The SC has in place the following protocols and procedures to allow its staff to continue to work in a safe and secure environment:
  - Pandemic plan;
  - Assurance in the continuity of critical functions;
  - Remote / WFH protocols including technology infrastructure;
  - Human capital mobilisation and allocation;
  - Premise sanitisation procedures;
  - Continuous and open communications avenues; and
  - Workplace safety and return to work protocols.

- The existing *IT User Policy and IT Policy* was reviewed annually to ensure the effective protection and proper usage of the SC's computer systems.

Anti-Corruption Measures

As a public institution, the SC is highly committed to provide an environment that promotes a strong sense of accountability and professionalism among its employees. In line with the requirements of the National Anti-Corruption Plan, the SC has developed its own Organisational Anti-Corruption Plan (OACP) with the strategic objective of strengthening the SC's governance, integrity and anti-corruption measures. The OACP covers key elements such as an explicit anti-corruption commitment from key stakeholders, relevant policies and procedures, controls, training and communication, reporting mechanisms and importantly, regular auditing and monitoring.

INTERNAL AUDIT

The SC's Internal Audit Department (IAD) assists the Audit Committee in the discharge of its duties and responsibilities. IAD reports directly to the Audit Committee, which determines the adequacy of scope and function of the department. IAD accomplishes its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control and governance processes.

IAD carries out its responsibilities by conducting reviews based on the approved internal audit plan, which is developed using a risk-based methodology. The main activities of IAD for the year 2020 included performing predominantly risk-based audits for the areas identified in the internal audit plan. The results of the audit and activities performed by the internal audit function were presented to the Audit Committee for its review. Where applicable, internal audit conducted follow-up audits to ensure that Managements' corrective actions were implemented appropriately and provided updates on the status of the key actions to the Audit Committee. In addition, IAD played an advisory role in the course of performing its audit activities.

IAD also reviewed the Audit Committee Charter and the Internal Audit Charter to ensure these were in line with The Institute of Internal Auditors' International Professional Practices Framework.

EXTERNAL STAKEHOLDER AND PUBLIC COMMUNICATION

Consistent and constant communication with capital market participants is necessary to facilitate the effective discharge of the SC's responsibilities. Regular meetings and discussions with our key stakeholders enable the SC to provide facilitative policies, a robust regulatory framework and encourage continuous growth and development of the capital market. All media releases, publications, guidelines, annual reports as well as consultation and response papers are posted on the SC's official website – www.sc.com.my.

The SC's Consumer and Investor Office acts as one of the key channels in engaging investors and the public. The office receives and handles public complaints and enquiries relating to the capital market. In addition, it is responsible for the SC's investor empowerment strategy under the InvestSmart® brand, targeted towards the public and investors of all life stages.

Through InvestSmart®, the SC undertakes various initiatives via different modalities such as exhibitions, seminars, roadshows, digital and social media on the fundamentals of making sound investment decisions.

SIDREC is a body approved by the SC to handle capital market-related disputes involving monetary claims by investors against its members. SIDREC's members are licensed intermediaries and registered persons specified under Part 1 of Schedule 4 of the CMSA, carrying out dealings in securities, derivatives, PRS and fund management in Malaysia. Members of SIDREC comprise banks, stockbrokers, futures brokers, fund management companies, unit trust management companies, PRS providers and distributors as well as two specified development financial institutions (DFIs).

SIDREC provides an independent and impartial avenue for redress for disputes between investors and SIDREC's members. Provision of effective and affordable access to redress is in line with international best practices and it supports the Commission's investor protection and empowerment initiatives.

Under SIDREC's Mandatory Scheme for claims of up to RM250,000, SIDREC's members are required to participate in SIDREC's dispute resolution process. Services under the Mandatory Scheme are free to investors. Under its Voluntary Scheme, where both parties must agree to use SIDREC's expert services, SIDREC is able to accept claims exceeding RM250,000 for mediation and adjudication as well as court-referred case management and mediation.

Apart from its involvement in the dispute resolution process with both SIDREC's members and investors, SIDREC also interacts with the investing public through its awareness initiatives. In addition, SIDREC concurrently engages its members, the Commission and other stakeholders such as related industry associations and self-regulatory organisations (SROs) to provide insights, positive observations as well as concerns stemming from its dispute resolution process. This provides valuable feedback to the market, investors and the regulator.

FINANCIAL STATEMENTS

Financial statements
for the year ended
31 December 2020

SECURITIES COMMISSION MALAYSIA
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Non-current assets			
Property, plant and equipment	3	151,677	152,515
Right-of-use assets	4	6,751	6,843
Other receivables	5	4,110	5,207
Other investments	6	75,423	165,182
		237,961	329,747
Current assets			
Other investments	6	788,233	581,421
Trade and other receivables	7	50,983	27,141
Cash and cash equivalents	8	90,649	95,230
		929,865	703,792
Total assets		1,167,826	1,033,539
Reserves			
Compensation fund reserve	9	100,000	100,000
Accumulated surplus		848,450	767,234
Total reserves		948,450	867,234
Non-current liabilities			
Post-employment benefits	10	140,416	80,650
Deferred income	11	-	607
		140,416	81,257
Current liabilities			
Deferred income	11	704	1,984
Other payables and accruals	12	78,256	83,064
		78,960	85,048
Total liabilities		219,376	166,305
Total reserves and liabilities		1,167,826	1,033,539

The notes on pages 124 to 146 are an integral part of these financial statements.

SECURITIES COMMISSION MALAYSIA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Revenue			
Levies		285,601	130,880
Fees and charges		13,887	12,188
Licence fees		1,380	3,223
Finance income		28,651	32,166
Registration fees		3,043	3,099
Other income		12,587	36,572
	13	345,149	218,128
Less: Expenditure			
Staff costs	14	164,475	155,744
Administrative expenses		28,972	32,211
Depreciation of property, plant and equipment	3	11,259	10,896
Depreciation of right-of-use assets	4	92	92
Rental expense		282	1,816
		205,080	200,759
Net operating surplus		140,069	17,369
Less: Funds to affiliates	15	(7,500)	(7,300)
Surplus before tax for the year	16	132,569	10,069
Tax expense	17	-	-
Surplus after tax for the year		132,569	10,069
Other comprehensive expense, net of tax			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	18	(51,353)	-
Surplus and total comprehensive income for the year		81,216	10,069

The notes on pages 124 to 146 are an integral part of these financial statements.

SECURITIES COMMISSION MALAYSIA
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Compensation fund reserve RM'000	Accumulated surplus RM'000	Total RM'000
At 1 January 2019	100,000	757,165	857,165
Surplus and total comprehensive income for the year	-	10,069	10,069
At 31 December 2019/1 January 2020	100,000	767,234	867,234
Surplus for the year	-	132,569	132,569
Remeasurement of defined benefit liability	-	(51,353)	(51,353)
Surplus and total comprehensive income for the year	-	81,216	81,216
At 31 December 2020	100,000	848,450	948,450
	Note 9		

The notes on pages 124 to 146 are an integral part of these financial statements.

SECURITIES COMMISSION MALAYSIA

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Cash flows from operating activities			
Surplus before tax		132,569	10,069
Adjustments for:			
Depreciation of property, plant and equipment	3	11,259	10,896
Depreciation of right-of-use assets	4	92	92
Amortisation of deferred income		(1,887)	(1,984)
Recognition of recovery of legal/enforcement costs		(8,683)	(11,210)
Finance income		(28,651)	(32,166)
Gain on disposal of property, plant and equipment		(11)	(50)
Adjustment of property, plant and equipment costs		-	396
Operating surplus/(deficit) before working capital changes		104,688	(23,957)
Changes in working capital:			
Post-employment benefits		8,413	4,960
Trade and other receivables		(21,747)	(1,086)
Other payables and accruals		3,875	14,240
Net cash generated from/(used in) operating activities		95,229	(5,843)
Cash flows from investing activities			
Maturity of investments in Malaysian Government Securities and Government Guaranteed Bonds		20,672	91,251
Increase in restricted deposits placed with licensed banks		(2,236)	(12,730)
Increase in deposits placed with licensed banks		(137,725)	(100,343)
Finance income received		27,653	30,950
Proceeds from recovery of legal/enforcement costs		-	22,506
Proceeds from disposal of plant and equipment		19	59
Acquisition of property, plant and equipment		(10,429)	(7,374)
Net cash (used in)/from investing activities		(102,046)	24,319
Net (decrease)/increase in cash and cash equivalents		(6,817)	18,476
Cash and cash equivalents at 1 January		44,553	26,077
Cash and cash equivalents at 31 December		37,736	44,553
Cash and cash equivalents comprise:			
Cash and bank balances	8	15,853	23,155
Deposits placed with licensed banks	8	74,796	72,075
		90,649	95,230
Less: Restricted deposits		(52,913)	(50,677)
		37,736	44,553

The notes on pages 124 to 146 are an integral part of these financial statements.

SECURITIES COMMISSION MALAYSIA
NOTES TO THE FINANCIAL STATEMENTS

The Securities Commission Malaysia (SC) is a statutory body established under the *Securities Commission Malaysia Act 1993* (SCMA) for the regulation and development of capital markets. The SC has direct responsibility for supervising and monitoring the activities of market institutions including the exchanges and clearing houses and regulating all persons licensed under the *Capital Markets and Services Act 2007*. The address of the SC is at:

3, Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur, Malaysia

These financial statements were authorised for issue by the Board Members on 25 January 2021.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the SC have been prepared in accordance with *Malaysian Financial Reporting Standards* (MFRSs) and International Financial Reporting Standards.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the SC:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020
- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The SC plans to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020.

- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021.

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for MFRS 3, *Business Combinations* and MFRS 14, *Agriculture* which is not applicable to the SC.

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17, *Insurance Contracts* which is not applicable to the SC.

The initial application of the abovementioned accounting standards, amendments and interpretations is not expected to have any material financial impact to the current period and prior period financial statements of the SC.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the SC's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:

(i) Post-employment benefits

The provision is determined using actuarial valuation prepared by an independent actuary. The actuarial valuation involved making assumptions about discount rate, medical inflation rate and life expectancy. As such, the estimated provision amount is subject to significant uncertainty. The assumptions used to estimate the provision are as disclosed in Note 10.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the SC, unless otherwise stated.

(a) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the SC becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the SC changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Finance income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Finance income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(e)(i)) where the effective interest rate is applied to the amortised cost.

Financial liabilities

Amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Finance cost is recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or are transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the SC currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts, if any, of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the SC and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative year are as follows:

Buildings	50 years
Office equipment, furniture and fittings	5 – 10 years
Computer and application systems	3 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

(c) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the SC assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- as a lessee, it has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- as a lessee, it has the right to direct the use of the asset. The SC has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the SC has the right to direct the use of the asset if either the SC has the right to operate the asset; or the SC designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the SC allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the SC is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As a lessee

The SC has classified leasehold land which in substance was a finance lease as right-of-use assets.

The SC has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The SC recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with licensed banks which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the SC in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of restricted deposits.

(e) Impairment

(i) Financial assets

The SC recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The SC measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and cash equivalents for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the SC considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the SC's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the SC is exposed to credit risk.

The SC estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the SC assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the SC determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the SC's procedures for recovery of amounts due.

(ii) Other assets

The carrying amounts of other assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(f) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring services to a customer, excluding amounts collected on behalf of third party. The SC recognises revenue when (or as) it transfers control over a service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The SC transfers control of a good or service at a point in time unless one of the following over-time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the SC performs;

(b) the SC's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the SC's performance does not create an asset with an alternative use and the SC has an enforceable right to payment for performance completed to date.

(ii) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the SC will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the SC for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

(iii) Registration fees and licence fees

Registration fees and licence fees are recognised as they accrue in profit or loss.

(iv) Finance income

Finance income is recognised as it accrues using the effective interest method in profit or loss.

(g) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid if the SC has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The SC's contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

Post-employment benefits

The SC provides post-employment medical coverage to eligible employees engaged prior to 1 January 2003.

The SC's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligations is performed by an independent qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the SC, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The SC determines the net finance cost or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Costs and expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The SC recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(h) Funds to affiliates

The SC provides funds to eligible affiliates to undertake capital market activities. These funds are recognised in profit or loss when payments have been made.

(i) Contingencies

Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(j) Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the SC uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the SC can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The SC recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

	Buildings RM'000	Office equipment, furniture and fittings RM'000	Computer and application systems RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
Cost						
At 1 January 2019	232,162	113,350	76,565	1,702	2,220	425,999
Additions	-	891	2,854	51	3,578	7,374
Disposals	-	(194)	(1,127)	-	-	(1,321)
Write off	-	-	(983)	-	-	(983)
Transfer from/(to)	-	161	2,463	-	(2,624)	-
Adjustment	-	-	-	-	(396)	(396)
At 31 December 2019/1 January 2020	232,162	114,208	79,772	1,753	2,778	430,673
Additions	-	1,001	2,160	-	7,268	10,429
Disposals	-	(24)	(312)	-	-	(336)
Transfer from/(to)	-	4,702	2,018		(6,720)	-
At 31 December 2020	232,162	119,887	83,638	1,753	3,326	440,766
Depreciation and impairment loss						
At 1 January 2019						
Accumulated depreciation	90,640	106,428	70,976	1,404	-	269,448
Accumulated impairment loss	109	-	-	-	-	109
	90,749	106,428	70,976	1,404	-	269,557
Depreciation for the year	4,643	1,963	4,105	185	-	10,896
Disposals	-	(193)	(1,119)	-	-	(1,312)
Write off	-	-	(983)	-	-	(983)
At 31 December 2019/1 January 2020						
Accumulated depreciation	95,283	108,198	72,979	1,589	-	278,049
Accumulated impairment loss	109	-	-	-	-	109
	95,392	108,198	72,979	1,589	-	278,158
Depreciation for the year	4,643	2,274	4,264	78	-	11,259
Disposals	-	(16)	(312)	-	-	(328)
At 31 December 2020						
Accumulated depreciation	99,926	110,456	76,931	1,667	-	288,980
Accumulated impairment loss	109	-	-	-	-	109
	100,035	110,456	76,931	1,667	-	289,089
Carrying amounts						
At 1 January 2019	141,413	6,922	5,589	298	2,220	156,442
At 31 December 2019/ 1 January 2020	136,770	6,010	6,793	164	2,778	152,515
At 31 December 2020	132,127	9,431	6,707	86	3,326	151,677

4. Right-of-use assets

	Leasehold land RM'000
At 1 January 2019	6,935
Depreciation	(92)
At 30 December 2019/1 January 2020	6,843
Depreciation	(92)
At 31 December 2020	6,751

The SC leases two leasehold land that run for 99 years which expire in 2094 and 2096.

5. Other receivables

	2020 RM'000	2019 RM'000
Staff financing	5,347	6,486
Less: Unearned profit		
- Islamic financing on housing and motor vehicles	(189)	(286)
	5,158	6,200
Less: Amount due within 12 months (Note 7)	(1,048)	(993)
Amount due after 12 months	4,110	5,207

The rates and tenure of staff financing are as follow:

	Rate charged (per annum)	Maximum repayable period
Islamic financing and conventional housing loans	2%	25 years
Islamic financing and conventional motor vehicle loans	4%	7 years
Study loans	-	5 years
Computer loans	-	4 years

The Islamic and conventional housing and motor vehicle financing are secured over the properties and motor vehicles of the borrowers, respectively.

The maturity structure of the financing to staff as at the end of the financial year is as follows:

	2020 RM'000	2019 RM'000
Within 1 year	1,048	993
More than 1 year and up to 5 years	2,887	3,218
More than 5 years	1,223	1,989
	5,158	6,200

6. Other investments

	Non-current		Current		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Amortised costs:						
– Malaysian Government Securities and Government Guaranteed Bonds	75,423	131,182	55,195	20,108	130,618	151,290
– Deposits placed with licensed banks	-	34,000	733,038	561,313	733,038	595,313
	75,423	165,182	788,233	581,421	863,656	746,603

Included in deposits placed with licensed banks are amounts restricted for stockbroking industry development of RM14.1 million (2019: RM13.6 million) and amount restricted for planning and implementing capacity building programmes in relation to the accounting and auditing profession of approximately RM1.9 million (2019: RM1.6 million).

7. Trade and other receivables

	2020 RM'000	2019 RM'000
Levies	36,372	12,854
Finance income receivable	9,562	8,564
Other receivables	877	1,031
Deposit	252	624
Prepayments	2,872	3,075
Short term staff financing (Note 5)	1,048	993
	50,983	27,141

8. Cash and cash equivalents

	2020 RM'000	2019 RM'000
Cash and bank balances	15,853	23,155
Deposits placed with licensed banks	74,796	72,075
	90,649	95,230

The deposits placed with licensed banks earned income at rates ranging from 1.50% to 3.05% per annum (2019: 2.90% to 3.75% per annum).

Included in deposits placed with licensed banks are amounts restricted for brokers' security deposits of approximately RM1.3 million (2019: RM1.3 million), and cash and deposits of approximately RM51.6 million (2019: RM49.4 million) held on behalf of government agencies or funds.

The bank balances are placed with licensed banks.

9. Compensation fund reserve

This represents an amount allocated from the accumulated surplus for the Capital Market Compensation Fund Corporation.

10. Post-employment benefits

	2020 RM'000	2019 RM'000
Net defined benefit liability	80,650	75,690
Expense recognised in profit or loss	10,373	6,747
Expense recognised in OCI	51,353	-
Benefits paid	(1,960)	(1,787)
Total employee benefit liabilities	140,416	80,650

The defined benefit plan is an unfunded post-employment medical plan, which provides medical benefits for participants and their eligible dependants after retirement age until the death of the participant or spouse, or for child dependants up to age 18 or age 24, if they are still studying.

As such, the ultimate cost of the plan depends on the longevity of the retirees and their eligible dependants, the incidence and cost of events resulting in claims under the plan, and the inflation of such costs in the future.

Funding

The plan is unfunded. Employer contributions to the plan refer to the medical claim amounts paid directly by the SC. The SC expects to pay approximately RM2.3 million in contributions to its defined benefit plan in 2021.

Movement in net defined benefit liability

	2020 RM'000	2019 RM'000
Net defined benefit liability at 1 January	80,650	75,690
Included in profit or loss		
Current service cost	3,953	2,321
Finance cost	6,420	4,426
	10,373	6,747
Other		
Benefits paid	(1,960)	(1,787)
Remeasurement of defined benefit liability	51,353	-
Net defined benefit liability at 31 December	140,416	80,650

Defined benefit obligation
Actuarial assumptions

Principal actuarial assumptions at the end of reporting period (expressed as weighted averages):

	2020	2019
Discount rate	4.9%	5.8%
Medical cost inflation	10%, reducing to 6% in 4 years	10%, reducing to 5% in 4 years
Normal retirement age	60 years	60 years

Assumptions regarding future mortality are based on published statistics and mortality tables.

At 31 December 2020, the weighted-average duration of the defined benefit obligation was 20 years (2019: 20.6 years).

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below.

	Defined benefit obligation Increase RM'000	Decrease RM'000
2020		
Discount rate (1% movement)	(21,343)	26,819
Medical cost inflation rate (1% movement)	26,819	(21,764)
2019		
Discount rate (1% movement)	(13,630)	17,501
Medical cost inflation rate (1% movement)	16,856	(13,388)

11. Deferred income

	2020 RM'000	2019 RM'000
At 1 January 2020/2019	2,591	4,575
Less: Recognised in profit or loss during the year	(1,887)	(1,984)
Deferred income	704	2,591
Current liabilities	704	1,984
Non-current liabilities	-	607
	704	2,591

12. Other payables and accruals

	2020 RM'000	2019 RM'000
Other payables	70,730	75,909
Accruals	5,735	5,475
Brokers' security deposits	1,791	1,680
	78,256	83,064

13. Revenue

	Note	2020 RM'000	2019 RM'000
Revenue	13.1	300,868	146,291
Other income			
- finance		28,651	32,166
- others		15,630	39,671
		44,281	71,837
Total revenue		345,149	218,128

13.1 Nature of goods and services

The following information reflects the typical transactions of the SC:

Nature of services	Significant payment term	Timing of recognition or method used to recognise revenue
Levies	30 days	Revenue is derived from Malaysia and recognised at a point in time.
Fees and charges	Not applicable	Revenue is derived from Malaysia and recognised at a point in time.
Licence	Not applicable	Revenue is derived from Malaysia and recognised over time.

14. Staff costs

	2020 RM'000	2019 RM'000
Remuneration, bonus, staff medical, staff training and overtime	133,814	129,710
Employees Provident Fund and SOCSO contribution	18,103	17,442
Private Retirement Scheme	2,185	1,845
Post-employment benefits	10,373	6,747
	164,475	155,744

15. Funds to affiliates

SC provides funds to various entities involved in projects and programmes that develop, promote and enhance the well-being of the Malaysian capital market.

16. Surplus before tax

	Note	2020 RM'000	2019 RM'000
Surplus before tax is arrived at after charging:			
Auditors' remuneration		100	100
Executive members' emoluments		4,942	4,287
Non-executive members' allowance		1,123	1,288
Rental expense:			
Property	(a)	86	1,540
Plant and equipment	(b)	199	276
Depreciation of property, plant and equipment	3	11,259	10,896
Depreciation of right-of-use assets	4	92	92
Adjustment of property, plant and equipment costs		-	396
and after crediting:			
Gain on disposal of plant and equipment		11	50

Note (a)

The SC leases an office building on a short-term lease and has elected not to recognise right-of-use assets and lease liabilities for the arrangement.

Note (b)

The SC leases IT equipment considered as leases of low-value items and short-term leases. The SC has elected not to recognise right-of-use assets and lease liabilities for these arrangements.

17. Tax expense

The SC was granted approval from the Minister of Finance to be exempted from taxation with effect from Year Assessment (YA) 2007 onwards.

18. Other comprehensive expense

	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
2020			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	51,353	-	51,353

19. Related parties

Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the SC if the SC has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the SC and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the SC either directly or indirectly.

The SC has related party relationship with Securities Industry Development Corporation (SIDC), as the Chairman of the SC is also the Chairperson of SIDC.

Lee Hishammuddin Allen & Gledhill (LHAG) is deemed to be a related party of the SC by virtue of a Board Member of the SC is also a partner of LHAG.

Significant related party transactions

The significant related party transactions of the SC are shown below:

	2020 RM'000	2019 RM'000
Related party		
Management fee	129	509
Legal fees	(34)	(289)
Provision of funds to affiliates	(3,500)	(2,500)

The balances which arose from the transactions above are included in Note 7 and Note 12.

20. Capital commitments

	2020 RM'000	2019 RM'000
Capital expenditure commitments		
Plant and equipment		
Approved but not contracted for:		
Within one year	18,170	25,470
Within two – three years	1,700	-

21. Financial instruments

21.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised costs (AC).

	Carrying amount RM'000	AC RM'000
2020		
Financial assets		
Other receivables	4,110	4,110
Other investments	863,656	863,656
Trade and other receivables*	47,852	47,852
Cash and cash equivalents	90,649	90,649
	1,006,273	1,006,273
Financial liabilities		
Other payables and accruals*	(77,824)	(77,824)
2019		
Financial assets		
Other receivables	5,207	5,207
Other investments	746,603	746,603
Trade and other receivables*	24,066	24,066
Cash and cash equivalents	95,230	95,230
	871,106	871,106
Financial liabilities		
Other payables and accruals*	(71,624)	(71,624)

* Exclude non-financial instruments

21.2 Gains arising from financial instruments

	2020 RM'000	2019 RM'000
Gains on:		
Financial assets at amortised cost	28,651	32,166

21.3 Financial risk management

The SC has policies and guidelines on the overall investment strategies and tolerance towards risk. Investments are managed in a prudent manner to ensure the preservation and conservation of the fund. The SC has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

21.4 Credit risk

Credit risk is the risk of a financial loss to the SC if a counterparty to a financial instrument fails to meet its contractual obligations. The exposure to credit risk arises principally from the individual characteristics of each customer. There are no significant changes as compared to prior periods.

Receivables

Risk management objectives, policies and processes for managing the risk

The SC has a formal credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Recognition and measurement of impairment loss

In managing credit risk of receivables, the SC manages its debtors and take appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, receivables will pay within 30 days.

The SC uses an allowance matrix to measure ECLs of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

The following table provides information about the exposure to credit risk and ECLs for receivables as at 31 December 2020 which are grouped together as they are expected to have similar risk nature.

	Gross-carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2020			
Not past due	54,941	-	54,941
Past due 1 - 30 days	-	-	-
Past due 31 - 90 days	-	-	-
Past due 91 - 180 days	-	-	-
Past due more than 180 days	152	-	152
	55,093	-	55,093
2019			
Not past due	32,087	-	32,087
Past due 1 - 30 days	-	-	-
Past due 31 - 90 days	-	-	-
Past due 91 - 180 days	-	-	-
Past due more than 180 days	261	-	261
	32,348	-	32,348

The receivables that are past due has not recognised any loss allowance as the receivables are supported by collateral in the form of residential properties with respective fair value exceeding its outstanding debts.

The fair values of these collateralised properties are determined using the comparison method based on professional valuation.

No impairment was performed on the receivables.

Cash and cash equivalents

The cash and cash equivalents are held with licensed banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These licensed banks and financial institutions have low credit risk. In addition, some of the bank balances are insured by government agencies. Consequently, the SC is of the view that the loss allowance is not material and hence, it is not provided for.

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have credit rating that are sovereign or near sovereign.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the SC has only invested in Malaysian government securities and government guaranteed bonds. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

21.5 Liquidity risk

Liquidity risk is the risk that the SC will not be able to meet its financial obligations as they fall due. The SC monitors and maintains a level of cash and cash equivalents deemed necessary by the SC to finance its operations and to mitigate the effects of fluctuations in cash flows.

Maturity analysis

The table below summarises the maturity profile of the SC's financial liabilities as at the end of the reporting period. There is no contractual interest rate for other payables and accruals.

	Carrying amount RM'000	Contractual cash flow RM'000	Under 1 year RM'000
2020			
Financial liabilities			
Other payables and accruals	77,824	77,824	77,824
2019			
Financial liabilities			
Other payables and accruals	71,624	71,624	71,624

21.6 Market risk

Market risk is the risk that changes in market prices, such as interest rates, that will affect the SC's financial position or cash flows.

21.6.1 Interest rate risk

The interest rate profile of the SC's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2020 RM'000	2019 RM'000
Fixed rate instruments		
Financial assets	938,452	818,678

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The SC does not have any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

21.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of fixed deposits is assumed to reasonably approximate their fair values.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value				
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2020					
Non-current Financial assets					
Long term receivables	-	-	4,110	4,110	4,110
Malaysian Government Securities and Government Guaranteed Bonds	-	77,444	-	77,444	75,423
	-	77,444	4,110	81,554	79,533
2019					
Non-current Financial assets					
Long term receivables	-	-	5,207	5,207	5,207
Malaysian Government Securities and Government Guaranteed Bonds	-	133,206	-	133,206	131,182
	-	133,206	5,207	138,413	136,389

Level 1 fair value
Level 1 fair value is derived from unadjusted quoted price in active markets for identical financial assets that the entity can access at the measurement date.

Level 2 fair value
Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values
There has been no transfer between Level 1 and 2 fair values during the financial year (2019: no transfer in either directions).

Level 3 fair value
Level 3 fair value is estimated using unobservable inputs for the financial assets.

Financial instruments not carried at fair value

Type	Description of valuation technique and input used
Long-term receivables	Discounted cash flows using a rate based on the current market rate of borrowing.

22. Reserves management

The SC's financial management objective is to maintain adequate reserves to safeguard the SC's ability to perform its duties and functions independently and effectively. Management monitors the long-term capital commitments to ensure that sufficient funds are available to meet the obligations. The SC's investments are managed in a prudent manner to ensure the preservation of the funds.

23. Contingencies

The SC is of the opinion that the recognition of the following penalty imposed and corresponding receivable is not required, as the case is currently still ongoing.

Contingent asset

In previous financial year, the Audit Oversight Board (AOB) has imposed 3 sanctions against an audit firm and its partners amounting to RM631,000 for breaching the AOB's registration condition imposed under section 31O(3) of the SCMA.

The involved parties have applied to the High Court for judicial review on the AOB's decision. On 10 August 2020, the High Court quashed the sanctions imposed against the audit firm and its partners.

On 13 August 2020, the SC and AOB have filed an appeal to the Court of Appeal to set aside the High Court decision. The matter is pending hearing in the Court of Appeal.

SECURITIES COMMISSION MALAYSIA
STATEMENT BY BOARD MEMBERS

In the opinion of the Board Members, the financial statements set out on pages 120 to 146 are drawn up in accordance with *Malaysian Financial Reporting Standards* and *International Financial Reporting Standards* so as to give a true and fair view of the financial position of the Securities Commission Malaysia as of 31 December 2020 and of its financial performance and cash flows for the financial year then ended.

On behalf of the Board Members:

Syed Zaid Albar
Chairman

Wee Hoe Soon @ Gooi Hoe Soon
Member

Kuala Lumpur

Date: 25 January 2021

SECURITIES COMMISSION MALAYSIA
STATUTORY DECLARATION

I, **Vignaswaran A/L Kandiah**, the officer primarily responsible for the financial management of the Securities Commission Malaysia, do solemnly and sincerely declare that the financial statements set out on pages 120 to 146 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the *Statutory Declarations Act, 1960*.

Subscribed and solemnly declared by the abovenamed **Vignaswaran A/L Kandiah**, NRIC No. 561128-10-6171, at Kuala Lumpur in the Federal Territory on 25 January 2021.

....

Vignaswaran A/L Kandiah
Officer

Before me:

PESURUHJAYA SUMPAH
25 JAN 2021
No. W 562
Nama: MOHAMMAD ROSLAN BIN MUSTAFA
01.01.19 - 15.12.21
MALAYSIA

H-2-10,
Plaza Damas,
Jalan Sri Hartamas 1,
50480 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
TO THE BOARD MEMBERS OF THE SECURITIES COMMISSION MALAYSIA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Securities Commission Malaysia (SC), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 120 to 146.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the SC as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the SC in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants (By-Laws) and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Responsibilities of Board Members of the SC for the Financial Statements

The Board Members are responsible for the preparation of financial statements of the SC that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Board Members are also responsible for such internal control as the Board Members determine is necessary to enable the preparation of financial statements of the SC that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the SC, the Board Members are responsible for assessing the SC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board Members either intend to liquidate the SC or to cease operations, or have no realistic alternative but to do so.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the SC as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the SC, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the SC.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members.

- Conclude on the appropriateness of the Board Members’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the SC to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements of the SC or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the SC to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the SC, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with the Board Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report is made solely to the Board Members, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Foong Mun Kong
Approval Number: 02613/12/2022 J
Chartered Accountant

Petaling Jaya, Malaysia

Date: 25 January 2021

CORPORATE PROPOSALS

EQUITY

In 2020, the SC received 9 equity applications of which 3 applications were for IPO, which included a proposed secondary listing on the Main Market, 1 was in relation to a proposed acquisition resulting in a significant change of business direction or policy and 5 were for transfer of listings to the Main Market. A total of 5 equity applications were considered in 2020 (Table 1).

There were 19 new listings, of which 2 were on the Main Market, 10 were on the ACE Market and the remaining 7 were on the LEAP Market with a total market capitalisation of RM11.9 billion. The total amount of funds raised from these new listings in 2020 was approximately RM2 billion.

Despite the unprecedented challenges faced due to the COVID-19 pandemic, the Malaysian capital market saw the entrance of Mr D.I.Y Group (M) Bhd (Mr DIY), a prominent home improvement and mass merchandise retailer with a market capitalisation of RM10.04 billion and a total of RM1.51 billion raised (Table 2). Mr DIY's market capitalisation is the largest since the listing of Lotte Chemical Titan Holding Bhd on the Main Market in 2017.

The SC also registered 38 equity prospectuses in 2020, comprising 11 prospectuses for IPO and 27 abridged prospectuses (Table 3).

TABLE 1

Status of equity applications

Applications	2020	2019
Brought forward from the previous year	3	4
Received during the year	9	5
Total for consideration	**12**	**9**
Approved during the year	(5)	(5)
Not approved during the year	-	-
Returned during the year	-	-
Total considered during the year	**(5)**	**(5)**
Withdrawn during the year	(1)	(1)
Carried forward to the next year	**6**	**3**

TABLE 2

Equity applications approved by type of proposals

Type of proposals	2020		2019	
	No. of proposals approved	Estimated amount to be raised (RM million)	No. of proposals approved	Estimated amount to be raised (RM million)
IPO on Main Market: – Domestic companies	1	1,506.38	4	459.94
Transfer from ACE Market to Main Market	4	–	1	–
TOTAL	**5**	**1,506.38**	**5**	**459.94**

TABLE 3

Registration of equity prospectuses

Applications	2020	2019
Prospectus	11	13
Abridged prospectus	27	12
TOTAL	**38**	**25**

CORPORATE BONDS AND SUKUK

The Malaysian corporate bonds and sukuk market reported total issuances of RM104.58 billion in 2020, a 21.26% decrease from RM132.82 billion issued in 2019.

In 2020, the SC received 64 lodgements under the LOLA Framework for issuances of corporate bonds and sukuk, as compared to 77 lodgements in the previous year (Table 4). Ringgit-denominated corporate bonds and sukuk issues continued to form the majority of the proposals lodged with the SC with a total nominal value of RM124.79 billion, of which 79.33% or RM99 billion were sukuk (Table 5).

There has been an overall decline in the maturity profile of ringgit-denominated corporate bonds and sukuk lodged with the SC in 2020. The number of ringgit-denominated corporate bonds and sukuk with tenures of 1 to 7 years and 8 to 15 years have decreased by 9.09% and 52.63% respectively, while ringgit-denominated corporate bonds and sukuk with tenures of above 15 years have remained the same (Chart 1).

In 2020, a total of 40 ratings were assigned by credit rating agencies to ringgit-denominated corporate bonds and sukuk issues lodged with the SC. The number of unrated issues has decreased by 41.86% as compared to 2019 (Chart 2).

There were 4 foreign currency-denominated corporate bonds and sukuk lodged with the SC in 2020, comprising 2 corporate bonds and 2 sukuk.

TABLE 4

Number of corporate bonds and sukuk lodgements and applications

	2020	2019
Lodgements[1]	64	77
Applications		
- Received	-	1
- Approved	-	1

Note:

[1] Pursuant to the LOLA Framework.

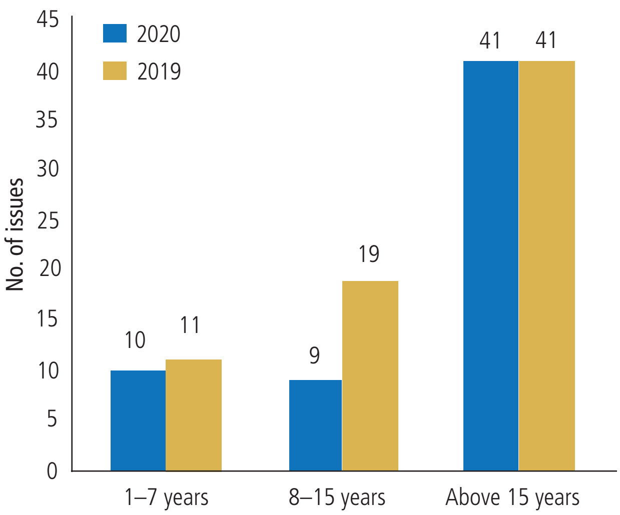
TABLE 5

Lodged/approved ringgit-denominated corporate bonds and sukuk issues

Type of issues	2020		2019	
	No. of issues	Nominal amount (RM million)	No. of issues	Nominal amount (RM million)
Corporate bonds				
– Commercial papers/Medium-term notes	13	23,791.00	26	36,788.00
– Bonds	-	-	6	13,670.00
– Loan stocks	-	-	1	172.47
Subtotal	**13**	**23,791.00**	**33**	**50,630.47**
Sukuk				
– Islamic commercial papers/ Islamic medium-term notes	43	95,010.00	33	88,943.84
– Islamic bonds	1	3,000.00	3	4,700.00
– Islamic loan stocks	1	990.00	-	-
Subtotal	**45**	**99,000.00**	**36**	**93,643.84**
Combination of corporate bonds and sukuk				
– Commercial papers/Medium-term notes	2	2,000.00	2	20,000.00
Subtotal	**2**	**2,000.00**	**2**	**20,000.00**
TOTAL	**60**	**124,791.00**	**71**	**164,274.31**

CHART 1

Tenure of lodged/approved ringgit-denominated corporate bonds and sukuk issues



Note:
Tenure of facility, and not the respective notes or papers under the facility.

TAKE-OVERS AND MERGERS

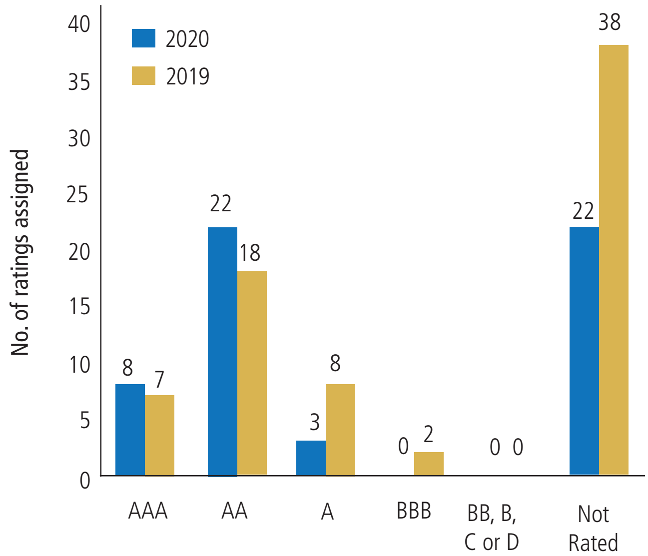
Take-overs, mergers and acquisitions in Malaysia are primarily governed by the SC under the CMSA, the *Malaysian Code on Take-overs and Mergers 2016* (Code) and the *Rules on Take-overs, Mergers and Compulsory Acquisitions* (Rules) to ensure that the acquisition of voting shares or control of companies takes place in an efficient, competitive and informed market. The Code/Rules provides an orderly framework within which take-overs, mergers and compulsory acquisitions are to be conducted.

In 2020, the SC considered 80 applications under the Rules, compared to 81 applications in 2019. A total of 25 offer documents were cleared by the SC involving a total offer value of RM3.49 billion or an average of RM139.57 million per offer, which represented a decrease of RM1.41 billion against the previous year (2019: 22 offers with total offer value of RM4.90 billion or an average of RM222.50 million per offer).

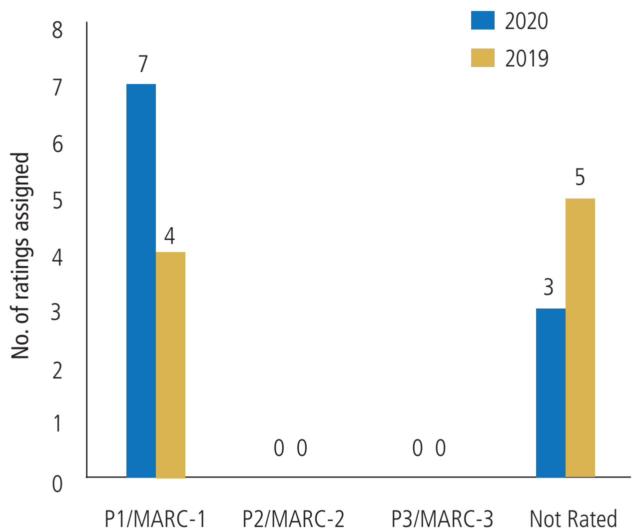
CHART 2

Rating summary of lodged/approved ringgit-denominated corporate bonds and sukuk issues

Long-term rating



Short-term rating



Note:
A corporate bond or sukuk issue may be assigned more than 1 credit rating (e.g. for commercial papers/medium-term notes programmes, both short-term rating accorded for commercial papers and long-term rating for medium-term notes are taken into account).

Of these 25 offers, 6 offers were undertaken by way of schemes whereby 2 of the schemes involved unlisted public companies (2019: 6 schemes).

The offer in relation to TA Enterprise Bhd, was the largest offer during the year at RM0.74 billion in offer value, representing 21% of the total offer value for 2020. Other notable offers in term of offer values include TA Global Bhd and Caring Pharmacy Group Bhd with offer values of RM0.59 billion and RM0.26 billion, respectively.

In 2020, there were 11 proposed privatisation offers (2019: 11 proposed privatisation offers), whereby one such scheme, namely for Cycle & Carriage Bintang Bhd, was unsuccessful as it failed to obtain the requisite approval from its shareholders. As at 31 December 2020, save for the ongoing offer for TA Enterprise Bhd, all the other privatisation offers were either completed with the companies already delisted from the stock exchange or being implemented. The remaining 14 take-over offers were not privatisation offers, of which 2 offers were for unlisted companies, 2 offers were still ongoing as at 31 December 2020 and 3 offers namely for MESB Bhd, Watta Holding Bhd and Advance Information Marketing Bhd were not sufficiently attractive to garner the acceptances required to meet the acceptance condition.

A total of 21 offers were in relation to companies listed on the Main Market with the remaining 2 listed on the ACE Market of Bursa Malaysia Securities Bhd. The industrial products and services sector garnered the most interest with total offer value of RM0.93 billion (representing 27% of total offer value involving 7 target companies or 27% of total number of offers).

Additionally, the SC cleared 30 independent advice circulars comprising 23 circulars in relation to take-over offers/schemes and 7 circulars in relation to exemptions from the mandatory offer obligation pursuant to the whitewash procedures.

The SC also approved 13 applications for exemptions from having to undertake a mandatory take-over offer. Furthermore, the SC had considered 12 applications for various ancillary matters under the Rules and other rulings, including the application by TA Enterprise Bhd to withdraw its take-over offer for TA Global Bhd due to the adverse impact of the COVID-19 pandemic on the financial performance of TA Global Bhd and its subsidiaries. The application for the withdrawal of offer was declined by the SC for reasons explained in its ruling published on 2 June 2020.

TABLE 6

Applications considered in relation to take-overs, mergers and compulsory acquisitions

Type of applications/ documents cleared	2020	2019
Clearance of offer/scheme documents	25	22
Clearance of independent advice circulars	30	26
Applications for exemption from mandatory offer obligation	13	17
Other applications	12	16
TOTAL	**80**	**81**

As part of its mandate, the SC also undertakes surveillance on take-over transactions to ensure compliance with the take-over requirements. In 2020, non-compliances identified included breaches of the mandatory offer obligation and failure by an adviser in its responsibility to ensure that its client complies with the Rules, for which appropriate actions have been taken, ranging from the issuance of reprimand and imposition of fine to issuance of infringement notices.

The SC encourages timely consultations to clarify the application of the Code/Rules and the SC's expectations to ensure compliance. In 2020, consultations with the SC involved various aspects of take-overs regulation including on take-over implications arising from certain deal structures, concert party matters, pre-conditions to take-over offers, possible favourable deals or action that tantamount to frustration of offers, and other general enquiries.

INVESTMENT MANAGEMENT

FUND MANAGEMENT

Total AUM of licensed FMCs in Malaysia increased by 9.99% to RM905.46 billion as compared to RM823.19 billion in 2019. In 2020, top 5 FMCs contributed to 55.27% of total AUM as compared to 56.57% in 2019 (Chart 1).

Source of funds under management were largely from unit trust funds, EPF, corporate bodies, and wholesale funds (Table 1). The funds were allocated in various asset classes and locations, of which, investment inside Malaysia by FMCs amounted to RM649.54 billion, representing 71.74% of the total AUM as at end of 2020 (Chart 2). The bulk of investment was allocated in equities with 48.32% at end of 2020, as compared to 48.61% in 2019 (Chart 3). Similar trends was observed on assets allocation inside and outside Malaysia (Chart 4).

TABLE 1

Source of clients' funds under management

Source of funds	2020 (RM billion)	2019 (RM billion)
Unit trust funds	519.53	482.09
Employees Provident Fund	150.77	131.42
Wholesale funds	67.65	58.10
Corporate bodies	86.49	80.67
Statutory bodies and government agencies	35.90	32.35
Others	24.38	21.52
Individuals	16.74	13.04
Private pension funds	4.00	4.00
TOTAL	**905.46**	**823.19**

CHART 1

Asset managed by FMCs (%)

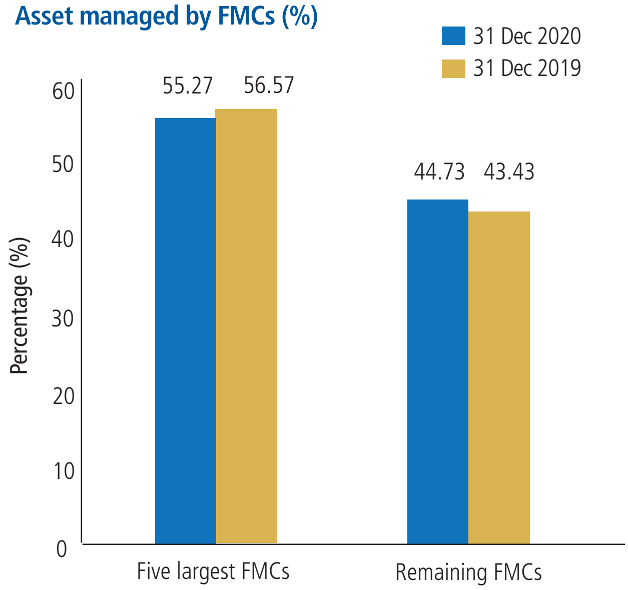


CHART 2

Assets invested inside and outside of Malaysia (RM billion)

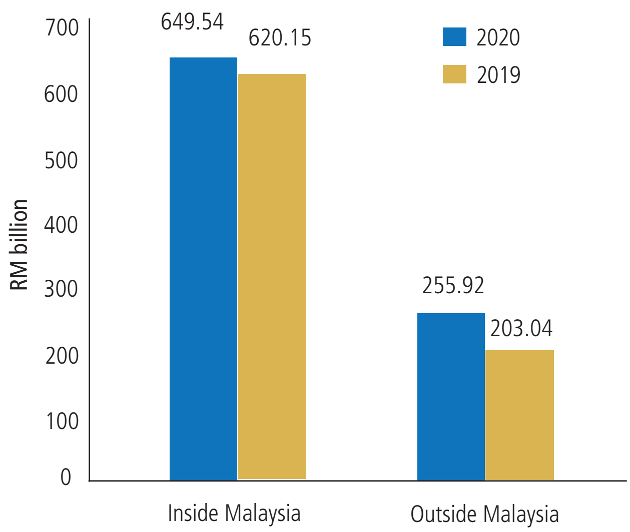


CHART 3

Assets allocation

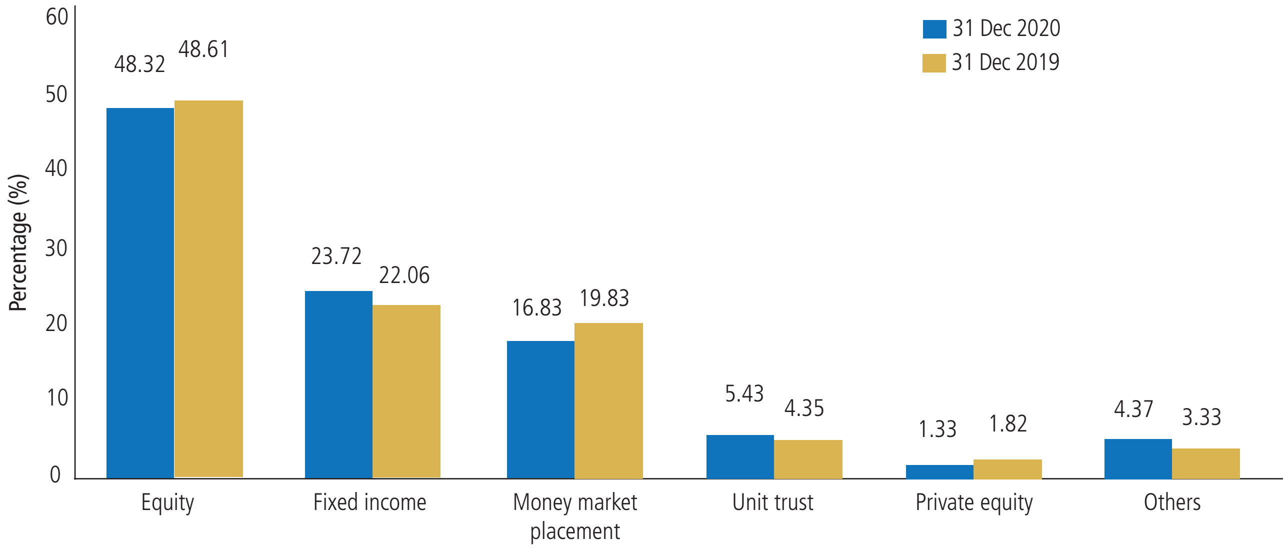
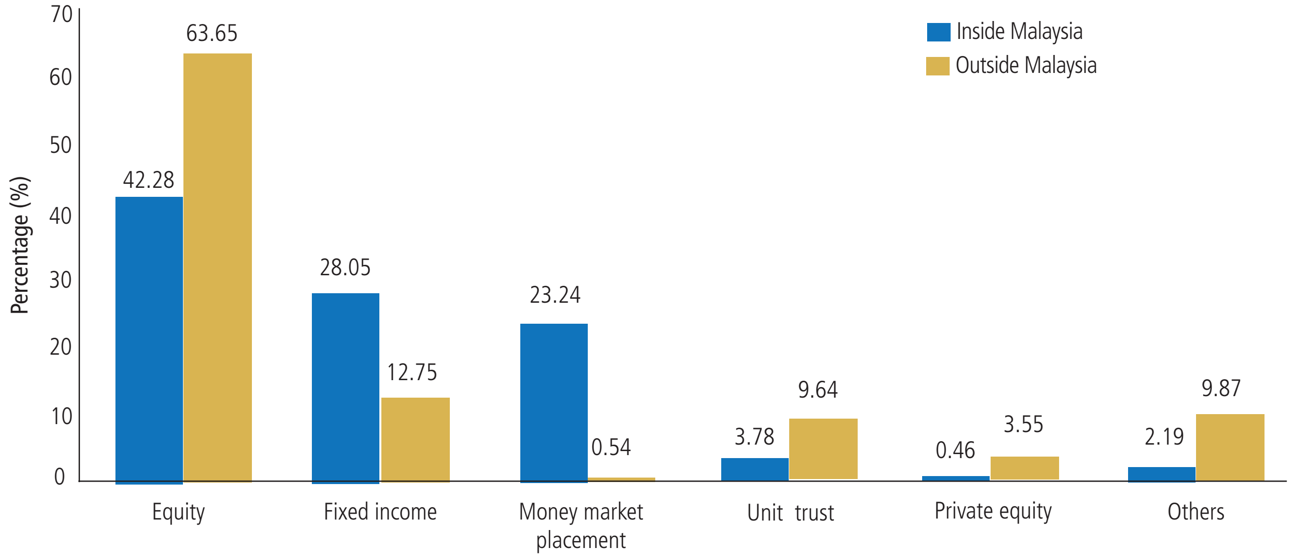


CHART 4

Assets allocation inside and outside of Malaysia as at 31 December 2020 (%)



COLLECTIVE INVESTMENT SCHEMES AND PRIVATE RETIREMENT SCHEMES

Unit trust funds continued to be the largest component of the Malaysian Collective Investment Schemes (CIS) industry with a total NAV of RM519.53 billion recorded as at 31 December 2020, representing an increase of 7.77% from RM482.09 billion as at 31 December 2019. The percentage of the total NAV of unit trust funds industry against Bursa Malaysia's market capitalisation is 28.59% (2019: 28.16%). In 2020, a total of 37 unit trust funds were launched while 14 funds were terminated and 12 funds matured, which brought the total number of unit trust funds offered by 38

TABLE 2

Overall status of unit trust fund industry

	31 December 2020	31 December 2019
No. of Funds offered	696	685
– Conventional	456	449
– Shariah-compliant	240	236
Units in circulation (billion units)	745.05	696.40
No. of accounts (million)*	21.34	20.65
Total NAV (RM billion)	519.53	482.09
– Conventional (RM billion)	391.00	374.77
– Shariah-compliant (RM billion)	128.53	107.32
% of NAV to Bursa Malaysia market capitalisation^	28.59	28.16

Notes:
* No. of Accounts include number of unitholders accounts with institutional UTS advisers (IUTA) that operate nominee account system.
^ The comparison made between the total NAV of the unit trust funds industry and Bursa Malaysia's market capitalisation is not an indication of the actual amount invested in Bursa Malaysia by the unit trust funds.

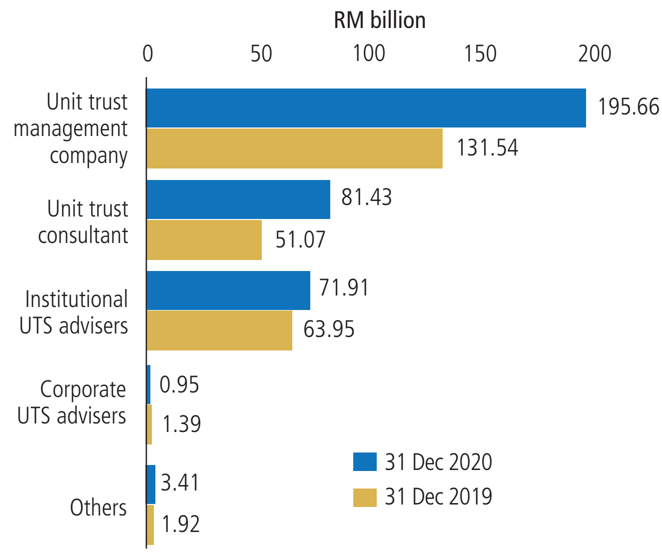
locally-incorporated unit trust management companies to 696 funds as at 31 December 2020 (Table 2).

The unit trust funds industry recorded total gross sales (excluding reinvestment of distribution) of RM353.36 billion (2019: RM249.87 billion). The majority of which were distributed by unit trust management companies with total gross sales of RM195.66 billion (Chart 5).

In the wholesale funds segment, a total NAV of RM67.65 billion (2019: RM58.10 billion) was recorded as at 31 December 2020. A total of 65 funds were launched under the LOLA Framework to sophisticated investors while 19 funds were terminated and 12 funds matured in 2020, which brought the total number of wholesale funds offered by 42 FMCs to 357 funds as at 31 December 2020.

CHART 5

Distribution channels



In 2020, 5 funds qualified as SRI funds under Guidelines on SRI Funds. With the termination of 1 SRI fund during the year, there were a total of 7 SRI funds, comprising 4 unit trust funds and 3 wholesale funds offered to investors as at 31 December 2020.

As of 31 December 2020, there are a total of 18 REITs listed on the Main Market of Bursa Malaysia with a total market capitalisation (including a stapled group) of RM39.34 billion (2019: RM43.83 billion). The total asset size grew marginally from RM54.44 billion to RM56.36 billion for the same period. As of 31 December 2020, there is 1 unlisted REIT offered to sophisticated investors.

With the listing of 4 ETFs in 2020, i.e. Kenanga KLCI Daily 2X Leveraged ETF, Kenanga KLCI Daily (-1X) Inverse ETF, TradePlus MSCI Asia ex Japan REITs Tracker and TradePlus DWA Malaysia Momentum Tracker, the total number of ETFs listed on Main Market of Bursa

Malaysia as at 31 December 2020 was 19 with a total market capitalisation of RM2.23 billion (2019: RM2.14 billion).

As of 31 December 2020, there continued to be only 1 closed-end fund (CEF) listed on the Main Market of Bursa Malaysia with a market capitalisation of RM298 million (2019: RM336 million).

As at 31 December 2020, the number of PRS remained unchanged with 12 schemes comprising 57 funds offered by 8 PRS providers. The total NAV of RM4.75 billion as at 31 December 2020, represented an increase of 35.71% compared to a total NAV of RM3.50 billion as at 31 December 2019.

Overall, there was a significant increase in withdrawals from PRS with pre-retirement withdrawals in 2020 increasing to 52% of total withdrawals, compared to only 18% of total withdrawals in 2019. This increase is due to new categories of permitted pre-retirement withdrawals for housing and healthcare as well as for temporary exemption accorded to PRS members from payment of 8% tax penalty for withdrawals from sub-account B of up to RM1,500 per PRS Provider.

CHART 6

PRS members by age group

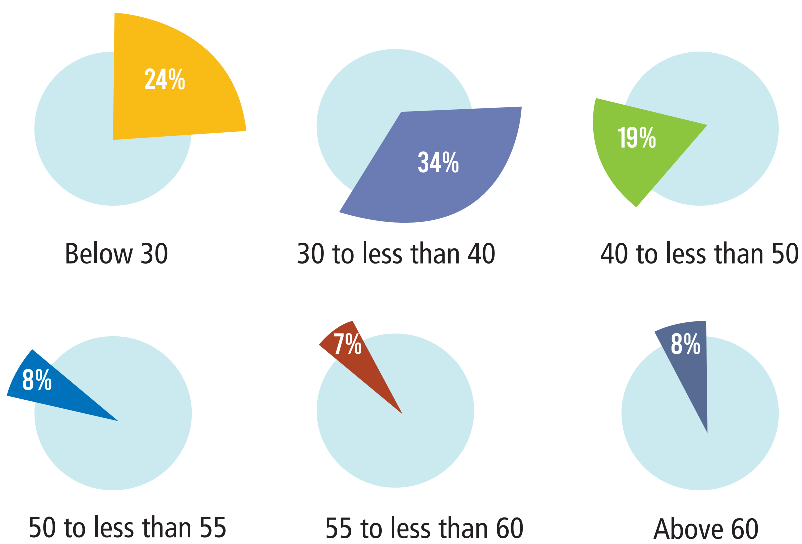


CHART 7

PRS members by gender

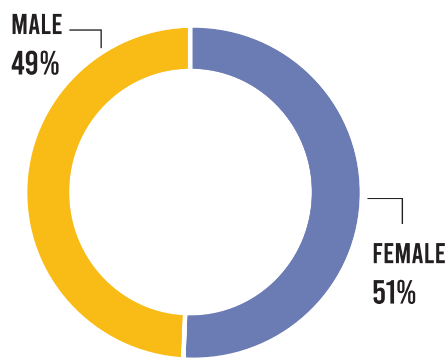


CHART 8

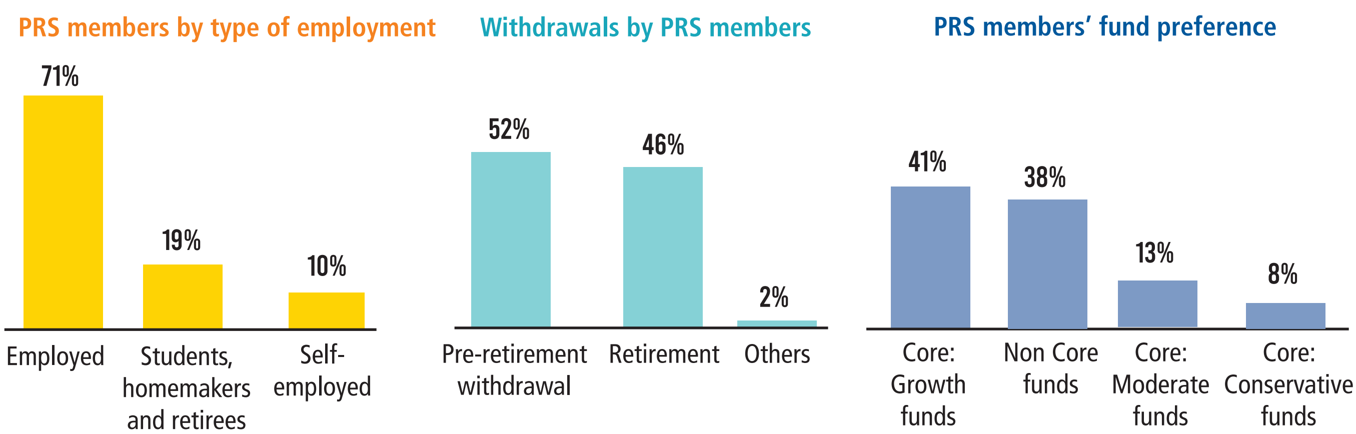


TABLE 3

Number of applications and lodgements relating to CIS and PRS

(i) Lodgement	Lodged		Launched	
	2020	2019	2020	2019
Wholesale funds (WF)	69	59	65	60
(ii) Application	**Considered**		**Pending consideration**	
	2020	**2019**	**As at 31 December 2020**	**As at 31 December 2019**
Establishment of CIS	**50**	**60**	**8**	**10**
– Unit trust funds (UTF)	47[1]	54[2]	7	7
– ETF	3	6	-	3
– REITs	-	-	1	-
Establishment of private retirement funds	1	2	-	-
Recognition of foreign Qualifying CIS	-	1	-	-
Exemption/variation from guidelines	23	17	4	3
Registration of prospectuses/disclosure documents	138	162	12	21
Registration of deeds	136	152	9	19
Other applications	22[3]	25[4]	1	-
TOTAL	**370**	**419**	**34**	**53**

Notes:
1 Includes 4 funds, which were qualified as SRI fund.
2 Includes 1 fund, which was qualified as SRI fund.
3 Includes 1 existing fund, which was qualified as SRI fund.
4 Includes 2 existing funds, which were qualified as SRI fund.

In 2020, the SC considered 370 applications relating to CIS and PRS, comprising applications to establish new funds, register prospectuses/disclosure documents, register deeds and other ancillary matters (Table 3).

INVESTMENT PRODUCTS

Structured warrants

There were 6 eligible issuers of structured warrants in 2020. The SC received and registered 6 base prospectuses and 11 supplementary prospectuses from these issuers in 2020 (Table 4).

TABLE 4

Structured warrants considered

	2020	2019
No. of eligible issuers	6	6
Base prospectuses registered	6	6
Supplementary prospectuses registered	11	12
Term sheets registered	1,235	1,106
Issue size (billion warrants)	58.52	56.87

A total of 1,235 term sheets for the offering of structured warrants were registered in 2020, representing an increase of 11.7% compared to the 1,106 term sheets registered in 2019. The increase was attributable to the active issuance by issuers in meeting investor interest in 2020.

The year 2020 also saw an increase in issuances of structured warrants based on shares from 916 in 2019 to 1,032 in 2020 and the return of the put warrants based on shares after a 3-year absence. The last issuance of put warrants based on shares was in 2017 with the registration of 1 term sheet relating to the offering of put warrants over shares. In 2020, a total of 19 term sheets relating to the offering of put warrants over shares were registered. In addition, issuances of structured warrants based on indices increased to 187 in 2020 compared to 181 in the previous year.

The term sheets registered in 2020 enabled the structured warrants issuers to offer up to a total of 58.52 billion units of structured warrants.

Structured products

In 2020, a total of 9 issuers lodged 18 new structured product programmes with the SC under the LOLA Framework for unlisted capital market products. These programmes comprised a variety of underlying references and had an aggregate size of RM90 billion with each programme having a size limit of up to RM5 billion (Table 5).

Contracts for difference

In line with the SC's *Capital Market Masterplan 2* to promote and develop the derivatives market, the SC introduced the *Guidelines on Contracts for Difference* (CFD) on 6 April 2018. A CFD is a leveraged derivatives product that allows investors to participate in the price movement of an underlying instrument. Given the complexity of CFDs, the framework is implemented on a phased approach starting with sophisticated investors.

In 2020, there were 2 CFD providers offering CFD in Malaysia based on shares and indices compared to 1 CFD provider offering CFD based on shares in 2019.

TABLE 5

Structured product programmes

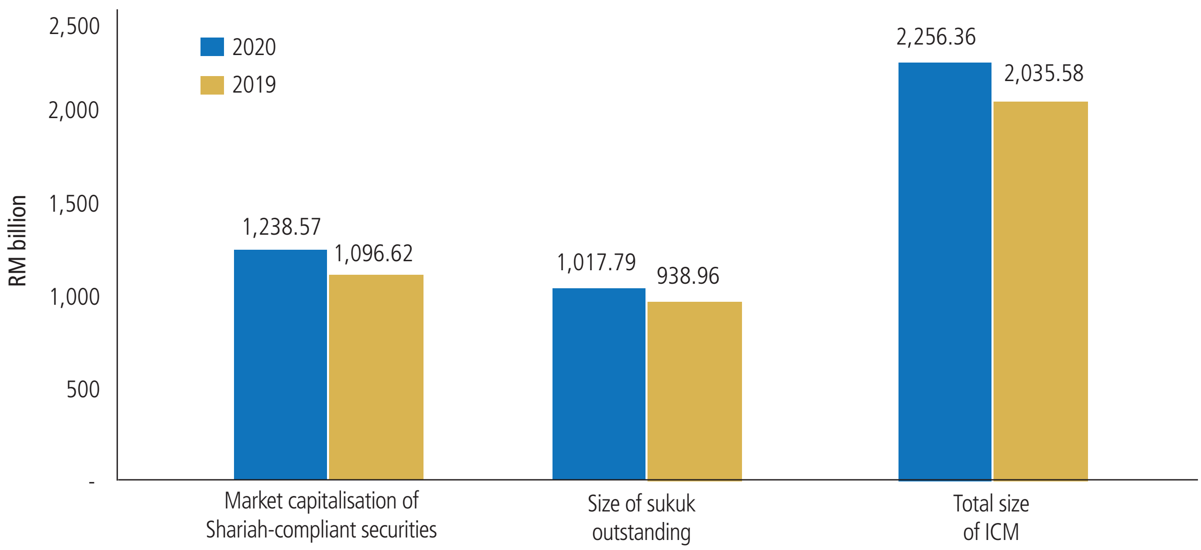
	2020		2019	
New programmes lodged	**No. of programmes**	**Size (RM billion)**	**No. of programmes**	**Size (RM billion)**
Principle				
– Conventional	18	90	5	25
– Islamic	-	-	1	5
TOTAL	**18**	**90**	**6**	**30**

ISLAMIC CAPITAL MARKET

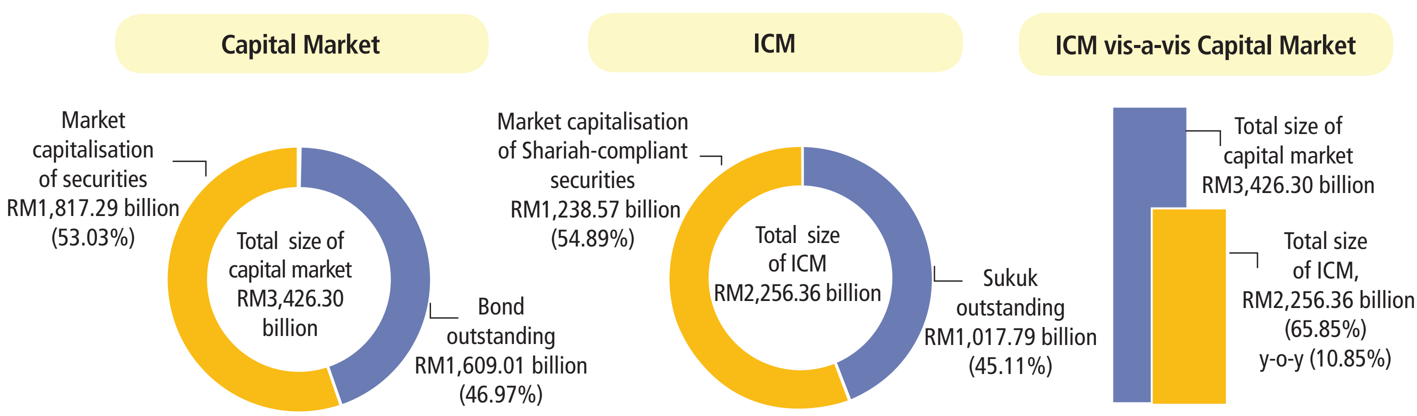
Malaysia's Islamic capital market continues to garner a larger share of the overall capital market, with a commanding 65.85%. Its market size recorded RM2,256.36 billion as at December 2020 in comparison with RM2,035.58 billion as at end 2019. This comprises total market capitalisation of Shariah-compliant equities of RM1,238.57 billion and total sukuk outstanding amounting to RM1,017.79 billion.

CHART 1

Size of Islamic capital market



Size of Capital Market and ICM as at December 2020

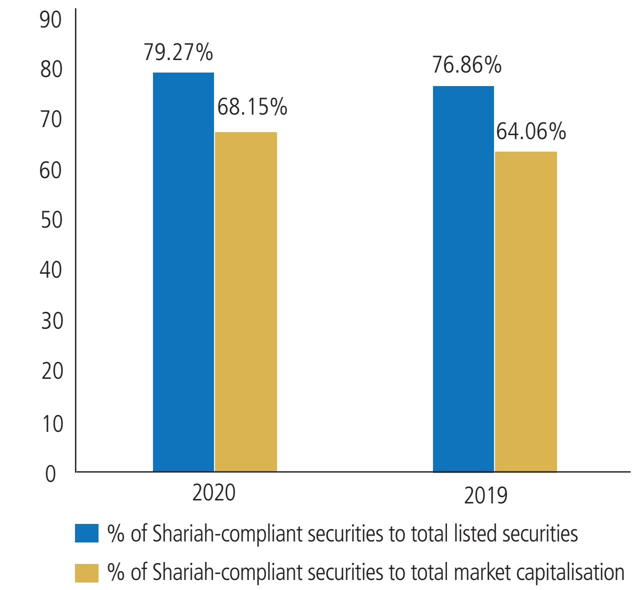


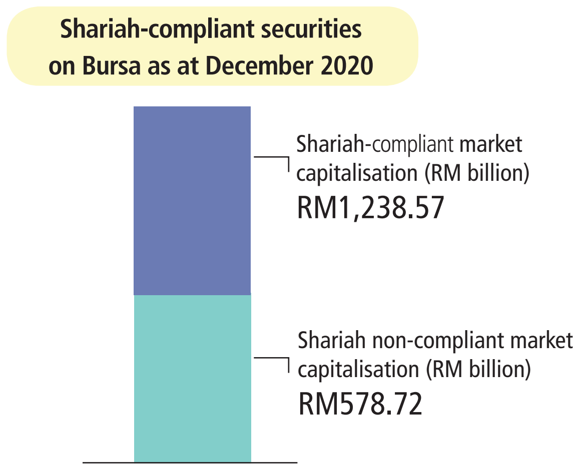
SHARIAH-COMPLIANT SECURITIES

As at December 2020, Shariah-compliant securities increased from 714 as at end 2019 to 742, which constituted 79.27% of the 936 listed securities on Bursa Malaysia. The market capitalisation of Shariah-compliant securities stood at RM1,238.57 billion or 68.15% of the total market capitalisation, an increase of 12.94% as compared to end 2019 (Chart 2 and Table 2). The industrial products and services sector constitutes the most Shariah-compliant securities, with 219 (29.51%) of securities, followed by consumer products sector with 150 securities (20.22%), technology with 87 securities (11.73%) and property with 82 securities (11.05%).

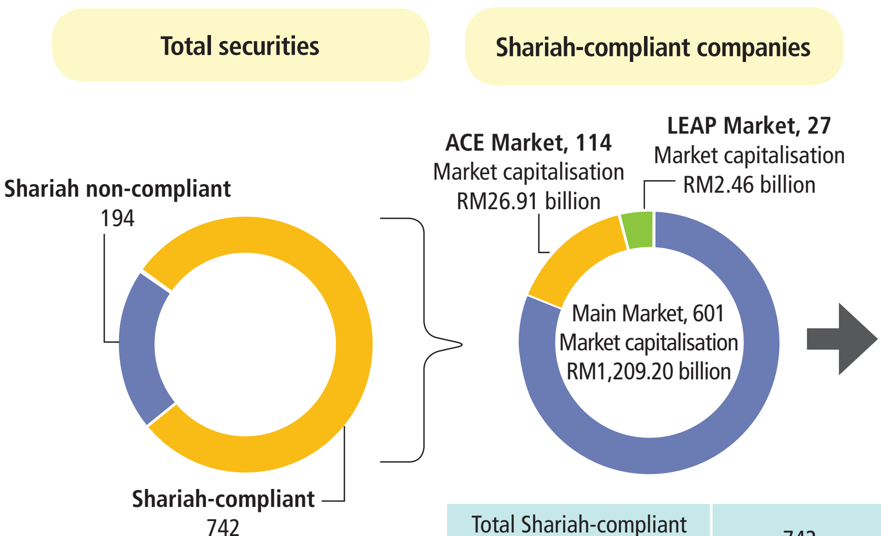
CHART 2

Percentage of number and market capitalisation of Shariah-compliant securities

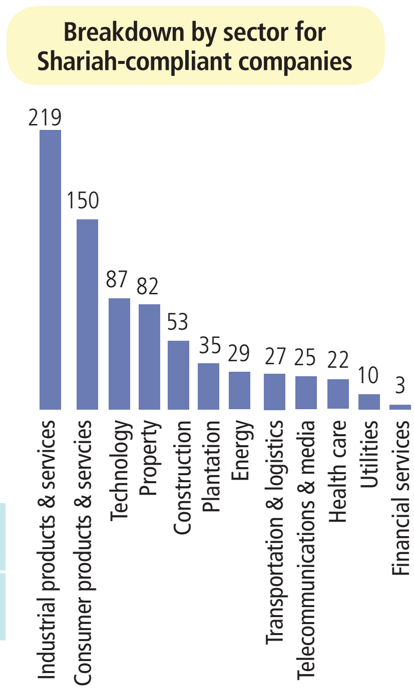




Islamic Equity Market as at December 2020



Total Shariah-compliant securities	742
Total Shariah-compliant market capitalisation	RM1,238.57 billion



SUKUK

Corporate sukuk issuances represented 73.61% (2019: 77.09%) of total corporate bonds and sukuk issuances while corporate sukuk outstanding accounted for 81.03% (2019: 79.58%) of total corporate bonds and sukuk outstanding (Table 3).

Government sukuk issuances represented 56.07% (2019: 52.70%) of total Government bonds and sukuk issuances while sukuk outstanding accounted for 48.41% (2019: 48.40%) of total Government bonds and sukuk outstanding (Table 3).

Sukuk issuances by Government and corporates in December 2020 represented 61.07% (2019: 61.11%) of total bonds and sukuk issuances whereas total sukuk outstanding represented 63.26% (2019: 63.01%) of total bonds and sukuk outstanding (Table 5).

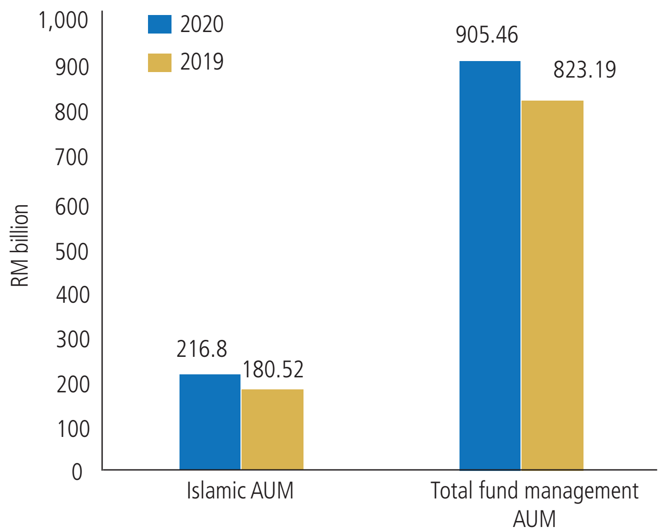
Two new corporate SRI sukuk were issued in 2020, bringing the total of SRI sukuk issuers to 13 since 2015. Corporate SRI sukuk issuances amounted to RM0.62 billion, 0.81% of total corporate sukuk issuances, while corporate SRI sukuk outstanding grew from RM4.71 billion in 2019 to RM5.25 billion as at December 2020, constituting 0.88% of total corporate sukuk outstanding.

ISLAMIC FUND MANAGEMENT

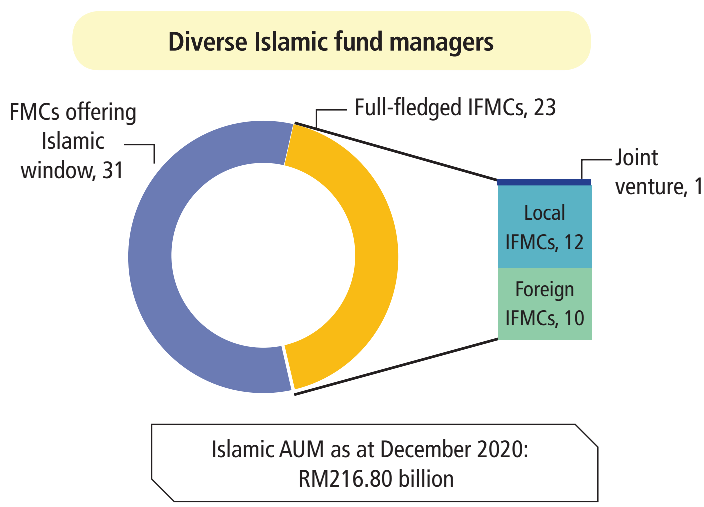
Islamic AUM as at December 2020 stood at RM216.80 billion registering 20.10% increase from RM180.52 billion as at end 2019 (Chart 3). The number of Islamic CIS (UTF, WF, PRS, REIT and ETF) stood at 336 as at December 2020 including 5 Islamic SRI unit trust funds. There were 54 FMCs managing Islamic funds, with 23 full-fledged Islamic FMCs and 31 FMCs offering Islamic windows as at December 2020.

CHART 3

AUM of Islamic fund management

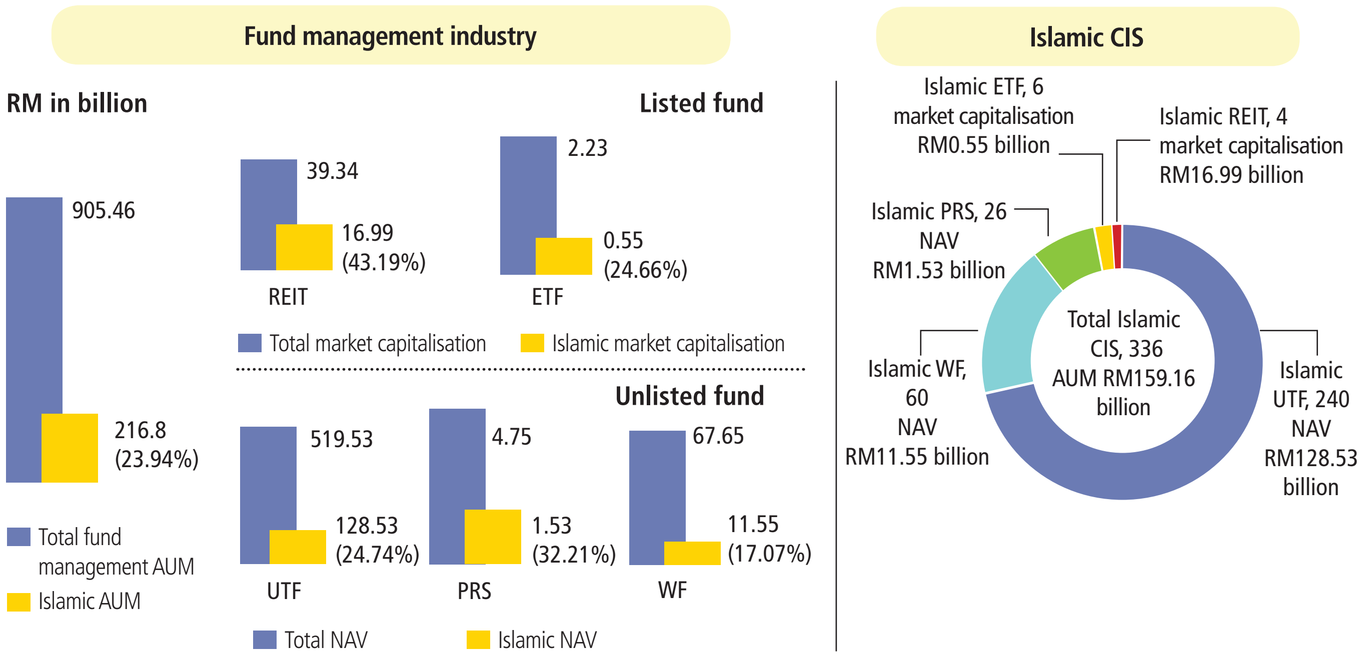


Islamic fund management as at December 2020



Note:
AUM is sourced from CIS and private mandates

Islamic fund management as at December 2020



KEY STATISTICS

TABLE 1

Size of ICM

Islamic capital market	2020 RM billion	2019 RM billion
Market capitalisation of Shariah-compliant securities	1,238.57	1,096.62
Size of sukuk outstanding	1,017.79	938.96
Total size of ICM	2,256.36	2,035.58
% ICM to total capital market	65.85%	63.57%

TABLE 2

Shariah-compliant securities

	2020	2019
Number of securities:		
Shariah-compliant securities	742	714
Total listed securities	936	929
% of Shariah-compliant securities to total listed securities	79.27%	76.86%
Market capitalisation (RM billion):		
Shariah-compliant securities	1,238.57	1,096.62
Total market capitalisation	1,817.29	1,711.84
% of Shariah-compliant securities to total market capitalisation	68.15%	64.06%

TABLE 3

Corporate sukuk

	2020	2019
Total issuance (RM billion) (long-term)		
Sukuk issuance	76.98	102.39
Total corporate bonds and sukuk issuances	104.58	132.82
% of sukuk to total corporate bonds and sukuk issuances	73.61%	77.09%
Total outstanding (RM billion) (long-term)		
Sukuk outstanding	593.43	555.50
Total corporate bonds and sukuk outstanding	732.39	698.04
% of sukuk to total corporate bonds and sukuk outstanding	81.03%	79.58%

TABLE 4

Government sukuk

	2020	2019
Total issuance (RM billion)		
Sukuk issuance	146.96	132.81
Total Government bonds and sukuk issuances	262.09	252.03
% of sukuk to total Government bonds and sukuk issuances	56.07%	52.70%
Total outstanding (RM billion)		
Sukuk outstanding	424.36	383.47
Total Government bonds and sukuk outstanding	876.62	792.24
% of sukuk to total Government bonds and sukuk outstanding	48.41%	48.40%

TABLE 5

Government and corporate sukuk

	2020	2019
Total issuance (RM billion)		
Sukuk issuance	223.94	235.20
Total bonds and sukuk issuances	366.67	384.85
% of sukuk to total bonds and sukuk issuances	61.07%	61.11%
Total outstanding (RM billion)		
Sukuk outstanding	1,017.79	938.96
Total bonds and sukuk outstanding	1,609.01	1,490.28
% of sukuk to total bonds and sukuk outstanding	63.26%	63.01%

TABLE 6

Islamic AUM

	2020	2019
Islamic AUM (RM billion)	216.8	180.52
Total fund management industry (RM billion)	905.46	823.19
% Islamic AUM to total fund management industry	23.94%	21.93%

TABLE 7

Islamic UTF

	2020	2019
Islamic UTF	240	236
Total industry	696	685
NAV of Islamic UTF (RM billion)	128.53	107.32
NAV of total industry (RM billion)	519.53	482.09
% NAV of Islamic UTF to total industry	24.74%	22.26%

TABLE 8

Islamic WF

	2020	2019
Islamic WF	60	58
Total industry	357	323
NAV of Islamic WF (RM billion)	11.55	12.33
NAV of total industry (RM billion)	67.65	58.10
% NAV of Islamic WF to total industry	17.07%	21.22%

TABLE 9

Islamic PRS funds

	2020	2019
Islamic PRS	26	26
Total industry	57	57
NAV of Islamic PRS (RM billion)	1.53	1.06
NAV of total industry (RM billion)	4.75	3.50
% NAV of Islamic PRS to total industry	32.21%	30.29%

TABLE 10

Listed Islamic REIT

	2020	2019
Islamic REIT	4	4
Total industry	18	18
Market capitalisation of Islamic REIT (RM billion)	16.99	18.24
Market capitalisation of total industry (RM billion)	39.34	43.83
% market capitalisation of Islamic REIT to total industry	43.19%	41.62%

TABLE 11

Islamic ETF

	2020	2019
Islamic ETF	6	6
Total industry	19	15
Market capitalisation of Islamic ETF (RM billion)	0.55	0.55
Market capitalisation of total industry (RM billion)	2.23	2.14
% market capitalisation of Islamic ETF to total industry	24.66%	25.70%

VENTURE CAPITAL AND PRIVATE EQUITY

The total number of registered corporations stood at 127 as at 31 December 2020 (Table 1). The venture capital segment accounted for 106 registered corporations (VCMC and VCC), while the private equity segment consisted of 21 registered corporations (PEMC and PEC).

As of end 2020, the number of professionals employed by the industry with at least four years' experience stood at 175.

TABLE 1

Statistics of industry participants

	31 December 2020	31 December 2019
Number of registered corporations	127	122
Number of registered VCMCs and VCCs	106	105
Number of registered PEMCs and PECs	21	17
Number of VC and PE professionals[1]	175	220

[1] Professionals with more than 4 years of experience

TABLE 2

Industry key statistics (RM million)

	31 December 2020		31 December 2019
	Private Equity	Venture Capital	
Total committed funds under management [1]	7,385.73	4,314.34	5,998.07
Total drawn capital [2]	5,874.77	3,187.31	4,285.08
Estimated capital available for investment [3]=[1]-[2]	1,510.96	1,127.03	1,712.99
Total no. of investee companies	31	311	304

CHART 1

Sources of funds, private equity (2020: RM7.39 billion)

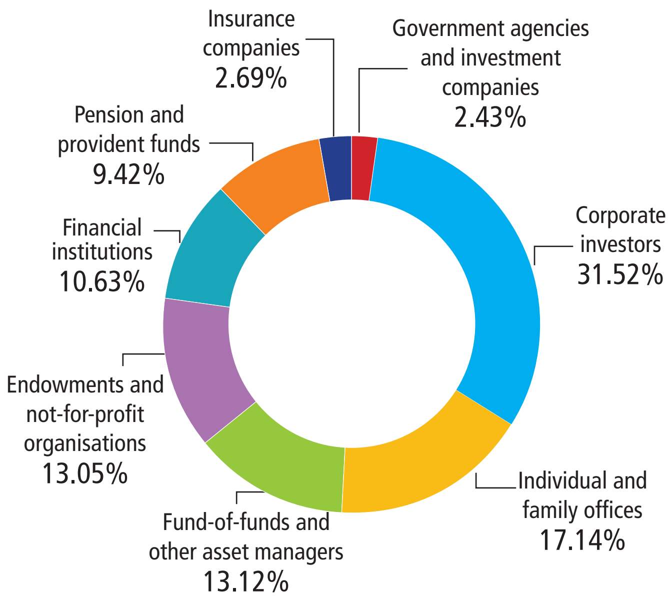
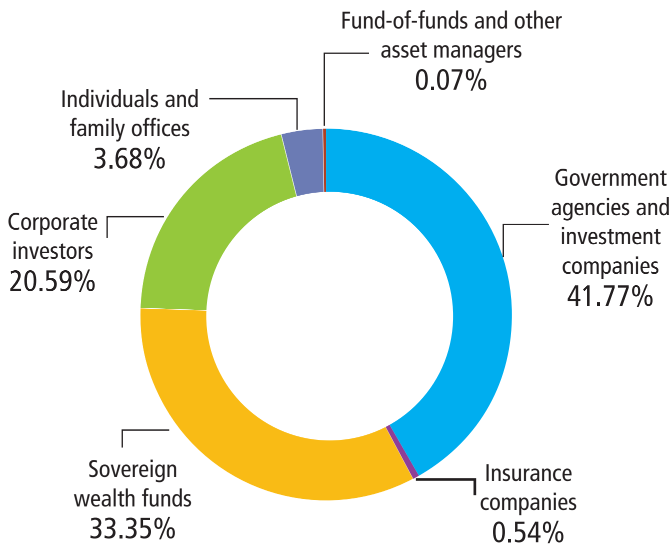


CHART 2

Sources of funds, venture capital (2020: RM4.31 billion)



Notes:
Government agencies and investment companies: Includes ministerial investment companies (e.g. Minister of Finance (Incorporated)), government agencies, statutory bodies and government-linked investment companies established for the purpose of managing investments of public funds (e.g. PNB, Ekuinas).

Total committed funds in the industry as at the end of 2020 stood at RM7.39 billion and RM4.31 billion for private equity and venture capital respectively (Table 2) with a combined total of RM11.70 billion. For private equity, commitments are sourced largely from corporate investors (31.52%), individuals and family offices (17.14%) and fund-of-funds and other asset managers (13.12%) (Chart 1).

For venture capital, government agencies and investment companies (41.77%), sovereign wealth funds (33.35%) and corporate investors (20.59%) make up the top 3 sources of funding (Chart 2). The top three registered corporations by amount of investor commitments as of end 2020 were Creador, Xeraya Capital and MAVCAP.

TABLE 3

Investments during 2020

Business stage	New investments (RM '000)	% of segment	No. of companies
Venture Capital			
Seed	24,276.30	9.45	10
Start-up	2,954.50	1.15	5
Early stage	129,688.24	50.50	40
Growth	99,869.72	38.89	52
Turnaround/Restructuring	21.00	0.01	1
Private Equity			
Early stage	10,000.00	12.97	1
Growth	53,801.65	69.75	6
Bridge/Mezzanine/Pre-IPO	854.50	1.11	1
Turnaround/Restructuring	12,475.00	16.17	1
Total	**333,940.91**	**100.00**	**117**
Venture Capital	*256,809.76*	*76.90*	*108*
Private Equity	*77,131.15*	*23.10*	*9*

VC investments in 2020 concentrated on early stage (50.50%) and growth (38.89%) segments respectively while PE investments were primarily channeled to growth (69.75%) followed by turnaround or restructuring (16.17%) and early-stage (12.97%) opportunities. In total, 108 VC and 9 PE deals respectively were recorded in 2020. (Table 3)

In terms of target industries, medical and biotechnology (60.64%) saw the highest share of VC investment in 2020, followed by information and communication (21.54%) and arts industry (8.66%). As for PE, investments were largely channeled to financial services (42.10%) in 2020, followed by information and communication (40%) and energy and utilities (12.96%) (Chart 3).

Divestments by PE firms were predominantly in the growth stage (96.81%). Similarly, VC divestments were significant in the growth stage (60.27%) followed by seed stage divestments (18.34%). Divestments were mainly through redemptions (Table 4).

CHART 3

Investments in 2020, top 5 target industries

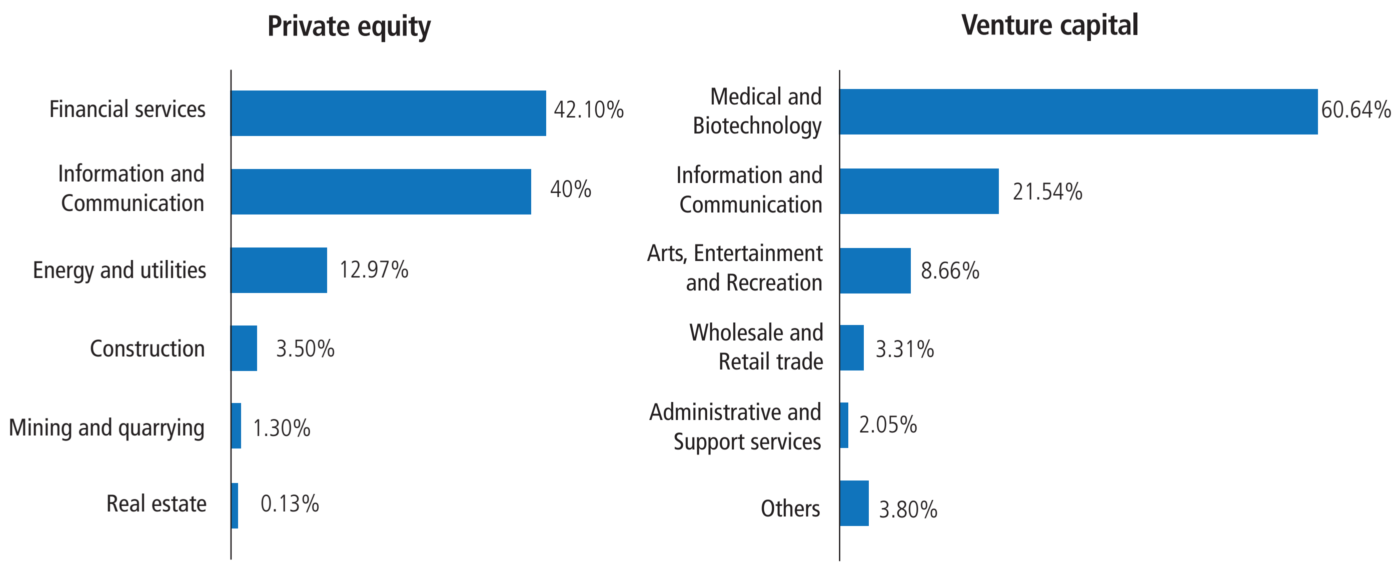


TABLE 4

Divestments during 2020

Business stage	Divestments (RM '000)	% of segment	No. of companies
Venture Capital			
Seed	6,158.43	18.34	5
Start-up	1,502.61	4.47	3
Early stage	5,552.48	16.54	15
Growth	20,233.68	60.27	34
Turnaround/Restructuring	126.53	0.38	7
Private Equity			
Growth	25,957.73	96.81	6
Bridge/Mezzanine/Pre-IPO	854.50	3.19	1
TOTAL	**60,385.96**	**100.00**	**71**
Venture Capital	*33,573.73*	*55.60*	*64*
Private Equity	*26,812.23*	*44.40*	*7*

EQUITY CROWDFUNDING AND PEER-TO-PEER FINANCING

EQUITY CROWDFUNDING[1]

Since 2016, the ECF has fundraised RM199.23 million (Chart 1) benefitting 150 issuers through 159 successful campaigns.

In 2020 alone, the total capital raised grew by 457% to RM127.73 million, from RM22.92 million in 2019 (Chart 1). A total of 78 issuers have successfully fundraised via 80 campaigns (Table 1), with 2 issuers fundraising twice within 2020. Majority of issuers are based in Kuala Lumpur or Selangor and 60% are technology-focused issuers.

Campaign size in 2020 has shifted towards larger fundraising amounts, with 84% of campaigns raised beyond RM500,000 mark (Chart 2).

TABLE 1

Number of issuers and successful campaigns

	2020	2019
Number of issuers	78	28
Number of campaigns	80	28

CHART 1

Capital raised in RM millions

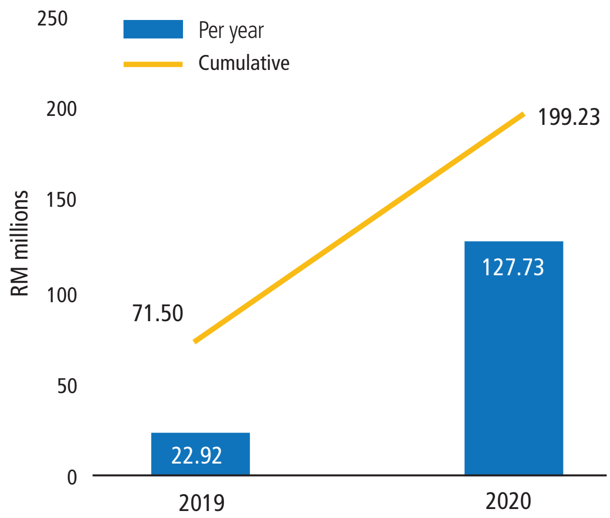
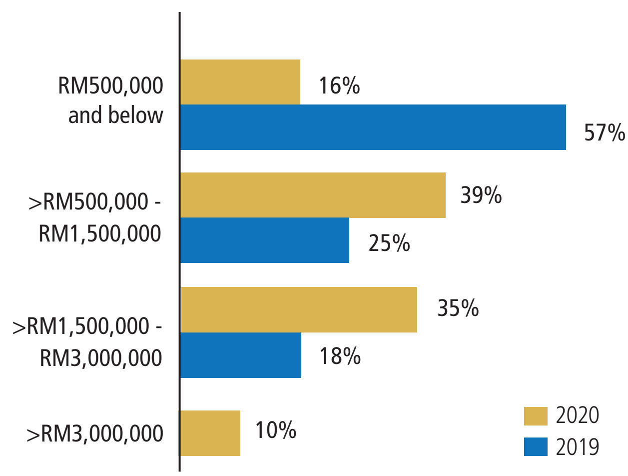


CHART 2

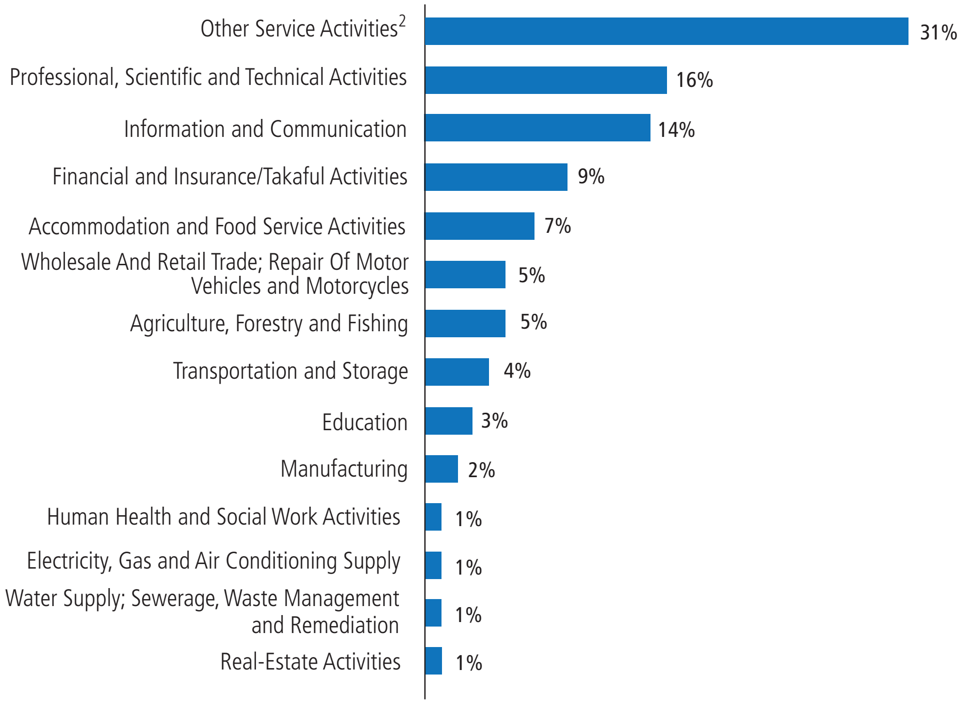
Distribution of fundraising amount



[1] Previously reported statistics have been adjusted according to the RMOs latest reported numbers.

CHART 3

Capital raised by sectors in 2020



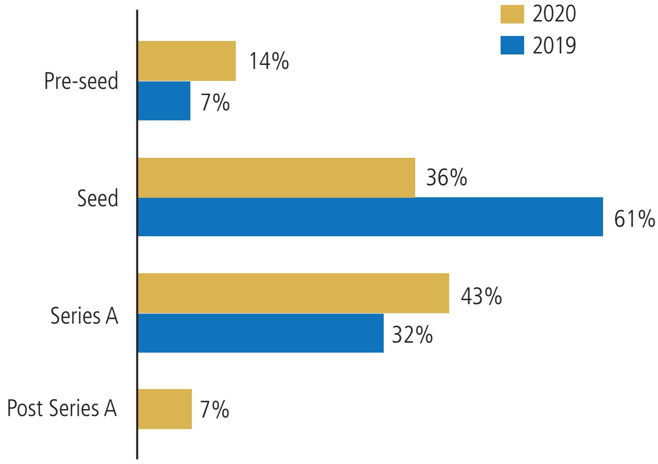
Top 3 sectors by amount of capital raised in 2020 were 'Other Service Activities' with RM38.88 million (31%), 'Professional, Scientific and Technical Activities' with RM19.96 million (16%) and 'Information and Communication' with RM18.27 million (14%) (Chart 3).

In 2020, the number of campaigns for Seed funding reduced to 36% from 61% in 2019 (Chart 4). Campaigns in Series A and onwards grew from 32% in 2019 to 50% in 2020. 7% of the campaigns in 2020 involved Post Series A funding (Chart 4). Majority of the capital raised from successful campaigns in 2020 was for business expansion.

Table 2 represents a comparative table for investor demographics in 2020 and 2019.

CHART 4

Funding stages



[2] 'Other Service Activities' sector includes activities of membership organisations, repair of computers, personal and household goods and other personal service activities.

TABLE 2

ECF investor demographics

		2020	2019
Nationality	Malaysian	95%	96%
	Foreign	5%	4%
Gender	Female	34%	32%
	Male	66%	68%
Age	Below 35	44%	48%
	35 to 45	33%	30%
	>45 to 55	15%	13%
	Above 55	8%	9%
Type	Retail	66%	55%
	Angel	24%	16%
	Sophisticated – HNWI	8%	27%
	Sophisticated – HNWE and Institutional	2%	2%

PEER-TO-PEER FINANCING[3]

Since 2017, P2P financing has raised a total of RM1.14 billion (Chart 5). It has provided financing to 2,801 issuers through 15,862 successful campaigns.

In 2020, the total capital raised grew by 20% to RM503.31 million, from RM418.64 million in 2019 (Chart 5). A total of 1,325 issuers have successfully fundraised via 7,760 campaigns in 2020, reflecting a 6% decrease in total number of issuers and a 39% increase in total number of successful campaigns from 2019 (Table 3). A total of 63% issuers are based in Kuala Lumpur or Selangor and 36% are technology-focused issuers.

CHART 5

Capital raised in RM millions

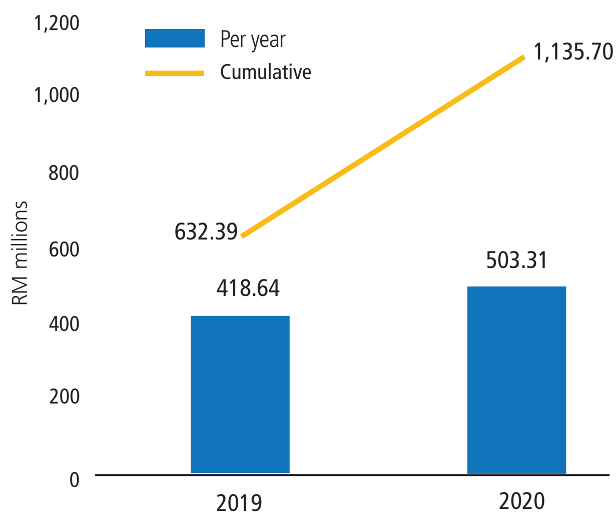


TABLE 3

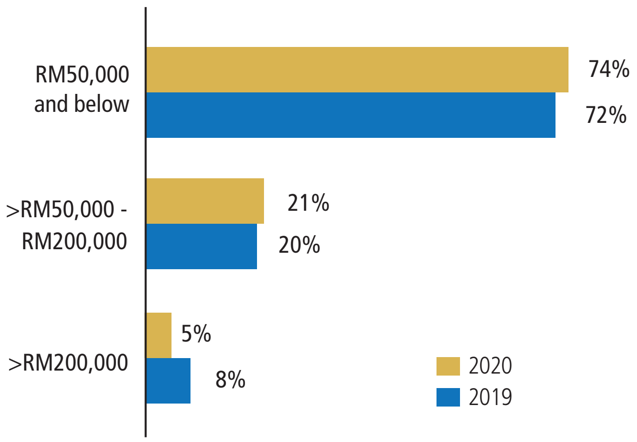
Number of issuers and successful campaigns

	2020	2019
Number of issuers	1,325	1,415
Number of campaigns	7,760	5,583

3 Previously reported statistics have been adjusted according to the RMOs latest reported numbers.

CHART 6

Distribution of fundraising amount



In terms of distribution of fundraising amount, majority of campaigns (74%) has successfully fundraised RM50,000 and below in 2020 (Chart 6).

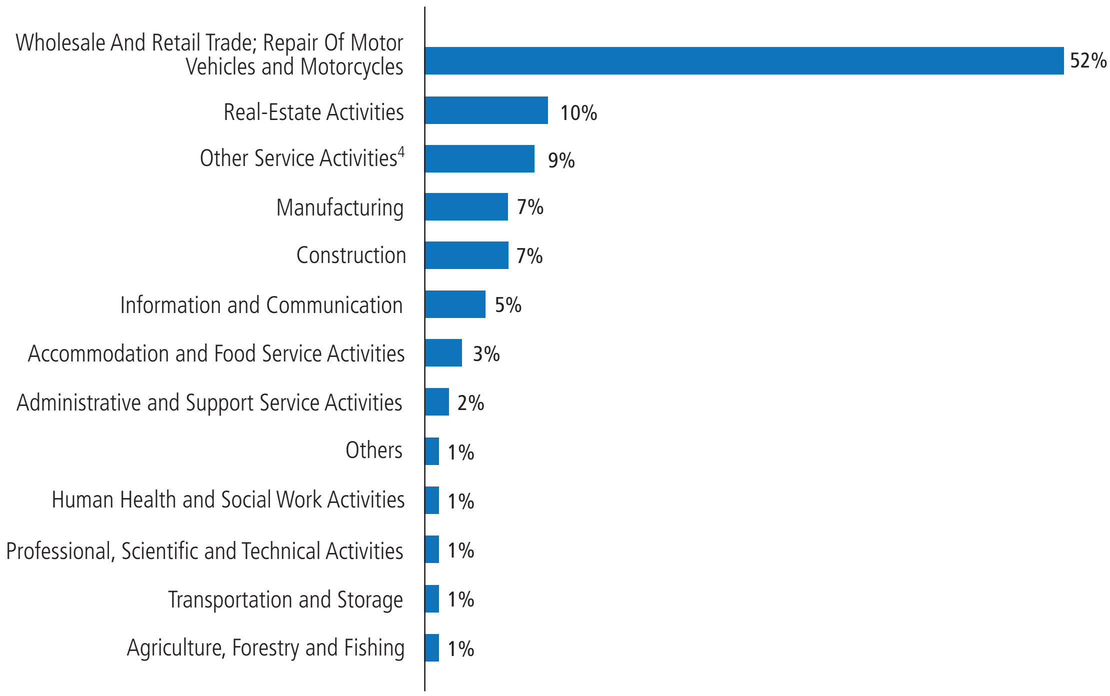
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles sector remains the largest sector served in 2020 (Chart 7).

In 2020, investment notes issued for micro, business and invoice financing has decreased as compared to 2019 (Chart 8). The bulk of investment notes (56%) were issued for other financing types (Chart 8).

A majority (77%) of the campaigns in 2020 involved shorter-term financing, with tenures of 3 months or less (Chart 9). Capital raised from successful campaigns

CHART 7

Capital raised by sectors in 2020



[4] 'Other Service Activities' sector includes activities of membership organisations, repair of computers, personal and household goods and other personal service activities.

CHART 8

Types of financing

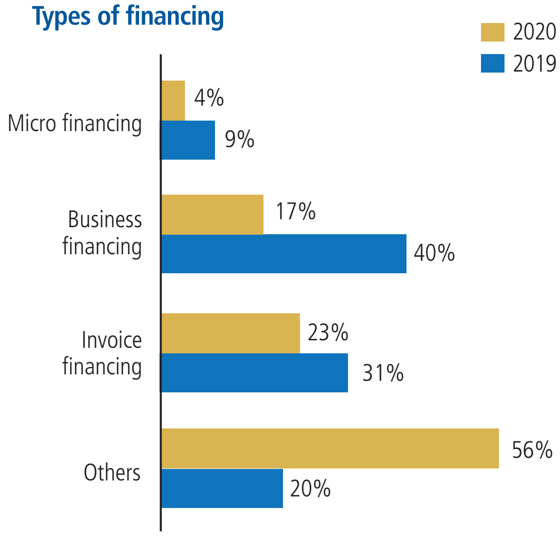
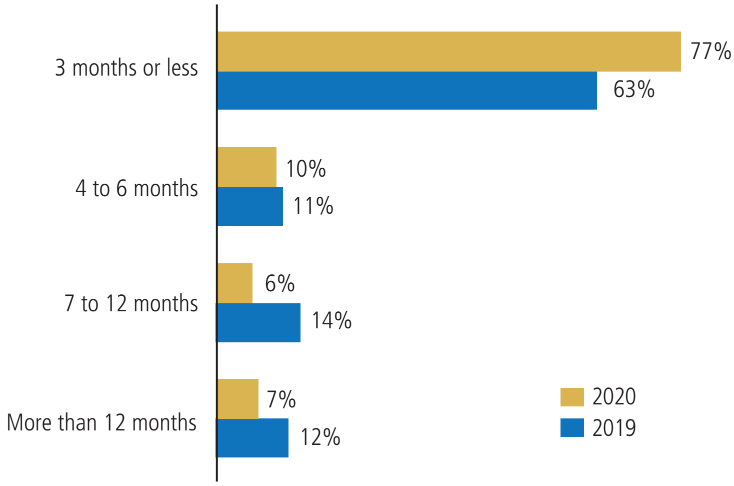


CHART 9

Tenure of notes



in 2020 was mainly for working capital.

Simple interest rate on P2P financing notes issued in 2020 decreased to 12.7% p.a from 13.1% p.a in 2019 (Table 4).

Table 5 represents a comparative table of investor demographics in 2020 and 2019.

TABLE 4

Simple interest rates[5] per annum

Notes issued in 2020	12.7%
Notes issued in 2019	13.1%

TABLE 5

P2P financing investor demographics

		2020	2019
Nationality	Malaysian	98%	98%
	Foreign	2%	2%
Gender	Female	28%	28%
	Male	72%	72%
Age	Below 35	60%	63%
	35 to 45	25%	24%
	>45 to 55	9%	9%
	Above 55	6%	4%
Type	Retail	87%	99%
	Angel	11%	0%
	Sophisticated – HNWI	2%	1%

[5] Simple interest rate per annum is calculated as the average of all notes issued in a particular year, weighted against the size of each note.

AUTHORISATION AND LICENSING

The number of CMSL holders including individual licensees for financial planning and investment advice stood at 238 compared to 234 in 2019. There were 5 cessations, 1 revocation and 10 new licences being issued, which resulted in a net increase of 4 CMSLs in 2020.

The 10 new licences issued during the year were for:

- Fund management (5 companies);
- Advising on corporate finance (1 company);
- Investment advice (1 company); and
- Financial planning (3 companies).

The SC continues to see interest in the fund management and financial planning segments especially in the digital fund management segment.

The 5 cessations in 2020 were mainly due to business realignment, group rationalisation and restructuring and shifts in geographical focus.

Revocation of a licence was in respect of Etalage Sdn Bhd due to the company's failure to carry out its licensed activities for a consecutive period of 3 months. In 2020, 3 CMSLs had varied their CMSL to include at least 1 regulated activity to their existing CMSL.

The number of CMSRL holders increased marginally to 9,734 from 9,660 in 2019. There were 600 cessations, 4 revocations, 1 surrender and 679 new CMSRL licences being issued, which resulted in a net increase of 74 CMSRLs in 2020.

There was an increase in the number of registered Marketing Representatives[1] from 367 as at December 2019 to 464 as at December 2020. The number of registered Trading Representatives[2] remained at 107 for both 2019 and 2020. The number of Employees of Registered Persons[3] increased marginally to 5,068 from 5,025 in 2019.

In 2020, the SC also approved 7 new registrations for the VC industry comprising 1 PEC, 3 PEMC, 1 VC and 2 VCMC.

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1 Marketing representative means a person who acts as an introducer for a principal, undertakes marketing of the services, provides client support services and is registered with the principal under the *Guidelines for Marketing Representative*.

2 Trading representative means a person who executes securities trade for a participating organisation and is registered with the SC under section 76 of the CMSA.

3 Registered person means a person registered under section 76 of the CMSA.

Table 1

Categories of CMSL holders

By core activity	2020	2019
Dealing in securities[1]	36	36
Dealing in derivatives	7	7
Fund management	100	97
Advising on corporate finance	41	42
Investment advice	16	15
Investment advice (individual)	1	1
Financial planning	35	34
Financial planning (individual)	2	2
TOTAL	**238**	**234**

Note:
[1] Includes 5 CMSLs for dealing in securities restricted to unit trust and 1 CMSL for dealing in securities restricted to listed securities.

By regulated activity	2020	2019
Dealing in securities		
Investment banks	10	10
Universal brokers	1	1
1+1 stockbroking companies	12	12
Special scheme foreign stockbroking companies	7	7
	30	**30**
Dealing in derivatives		
Investment banks	5	5
1+1 stockbroking companies	3	3
Special scheme foreign stockbroking companies	2	2
Others	7	7
	17	**17**
Clearing		
Investment banks	5	5
1+1 stockbroking companies	3	3
Special scheme foreign stockbroking companies	2	2
Others	6	6
	16	**16**

Table 1

Categories of CMSL holders *(Continue)*

Fund management	2020	2019
Portfolio management		
Investment banks	1	1
Unit trust management companies	24	24
Special scheme foreign fund managers	5	5
Islamic fund managers	23	23
Boutique fund managers	5	4
DIM companies	5	2
Others	20	21
Asset management		
Real estate investment trusts	18	18
	101	**98**

Advising on corporate finance		
Investment banks	10	10
1+1 stockbroking companies	7	6
Special scheme foreign stockbroking companies	5	5
Others/standalone/boutique corporate finance companies	42	43
	64	**64**

Investment advice		
Investment banks	9	9
1+1 stockbroking companies	8	8
Special scheme foreign stockbroking companies	7	7
Unit trust management companies	3	3
Others/standalone/boutique investment advice companies	23	22
	50	**49**

Financial planning		
1+1 stockbroking companies	1	-
Unit trust management companies	5	5
Corporate unit trust advisers	18	17
Others/standalone/boutique financial planning companies	20	20
	44	**42**

Table 1

Categories of CMSL holders *(Continue)*

Fund management	2020	2019
Dealing in securities restricted to unit trusts		
Unit trust management companies	29	29
Islamic fund managers	10	10
Special scheme foreign fund managers	1	-
Corporate unit trust advisers	18	17
Others	1	1
	59	**57**
Dealing in securities restricted to listed securities		
Others	1	1
	1	**1**
Dealing in securities restricted to OTC bond		
Others	1	1
	1	**1**
Dealing in private retirement schemes		
Investment banks	1	1
1+1 stockbroking companies	1	-
Unit trust management companies	9	9
Corporate private retirement scheme advisers	18	17
Others	**2**	**3**
	31	**30**
GRAND TOTAL	**414**	**405**

Table 2

Categories of CMSRL holders

By core activity	2020	2019
Dealing in securities	6,320	6,326
Dealing in derivatives	450	469
Fund management	807	819
Advising on corporate finance	756	768
Investment advice	285	301
Financial planning	1,116	977
GRAND TOTAL	**9,734**	**9,660**

Table 3

Application for new company licences

Regulated activities	Dealing in securities		Dealing in derivatives		Fund management		Advising on corporate finance		Investment advice		Financial planning	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Issued	-	-	-	1	5	2	1	2	1	-	3	1

Table 4

Application for new representatives' licences

Regulated activities	Dealing in securities		Dealing in derivatives		Fund management		Advising on corporate finance		Investment advice		Financial planning	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Issued	275	417	36	43	64	90	59	131	31	43	214	196
Withdrawn*	16	70	-	13	10	44	2	27	2	4	45	52
Returned*	202	159	19	27	117	103	33	69	15	16	214	135

Note:
* By regulated activities

Table 5

Cessation of company/individual licences

Regulated activities	Dealing in securities		Dealing in derivatives		Fund management		Advising on corporate finance		Investment advice		Financial planning		Financial planning	
(Individual)	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Ceased	-	1*	-	2	2	2	2	2	-	1	1	2	-	1
Revoked	-	-	-	-	-	1	-	-	-	-	1	-	-	-
Suspended	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note:
* Dealing in securities restricted to unit trust

Table 6

Cessation of representatives' licences

Regulated activities	Dealing in securities		Dealing in derivatives		Fund management		Advising on corporate finance		Investment advice		Financial planning	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Ceased*	338	514	69	107	76	88	68	121	49	46	66	47
Revoked	-	1	-	-	-	-	-	-	-	-	-	-
Suspended	-	1	-	-	-	-	-	-	-	-	-	-

Note:
* By regulated activities

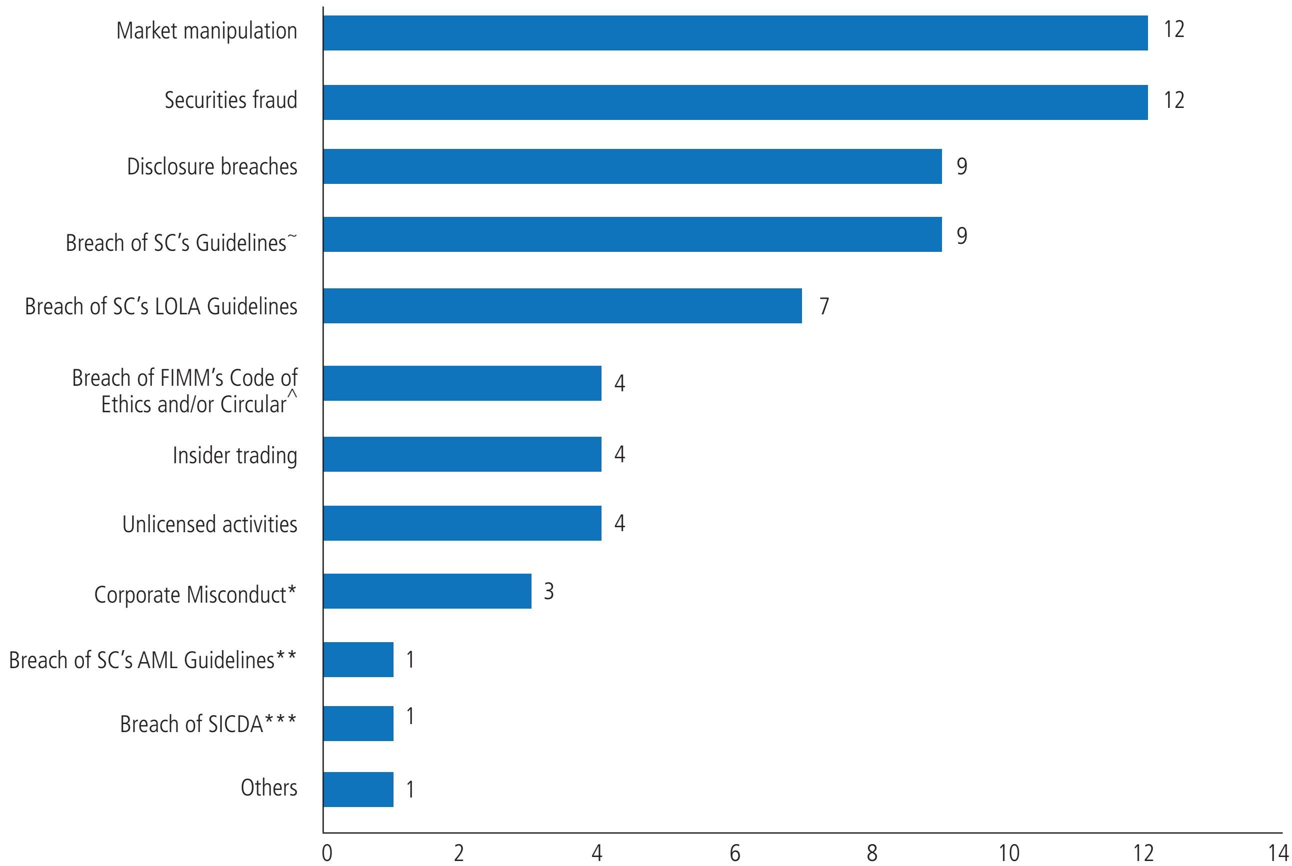
ENFORCEMENT

In 2020, the SC reviewed 67 possible capital market breaches arising mostly from active surveillance of market and corporate activities, supervision and complaints. More than half of these breaches were attributed to securities fraud, market manipulation, disclosure related and the SC Guidelines breaches (Chart 1).

As of 31 December 2020, there were 38 active investigations (Chart 2). Substantial resources were dedicated to conduct investigation of securities fraud and market manipulation offences, on which has been an increasing trend since 2016 (Chart 3).

CHART 1

Total referral by nature of offence



~ *Other than SC's LOLA and AML Guidelines*
^ *Federation of Investment Managers Malaysia*
* *Other than Disclosure breaches*
** *Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries*
*** *Securities Industry (Central Depositories) Act 1991*

CHART 2

Active investigations by nature of offences

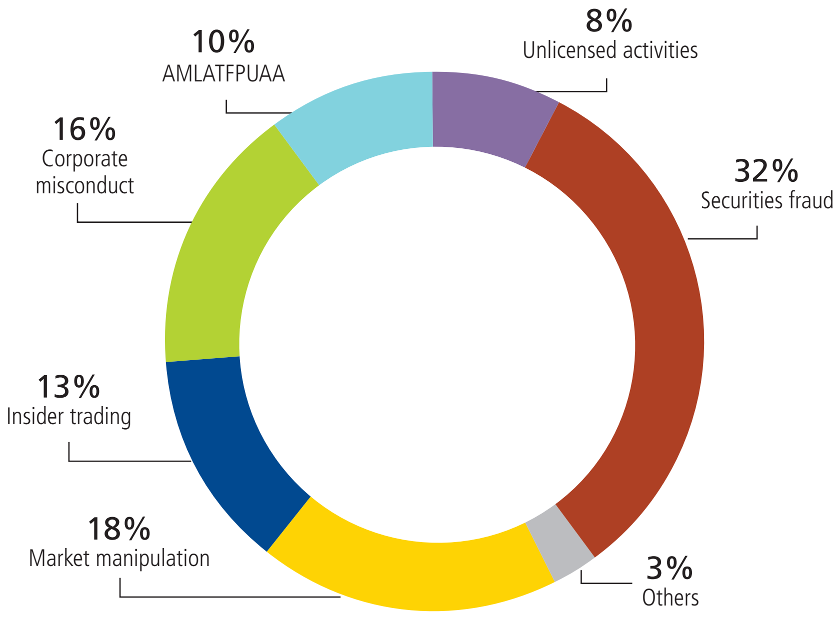
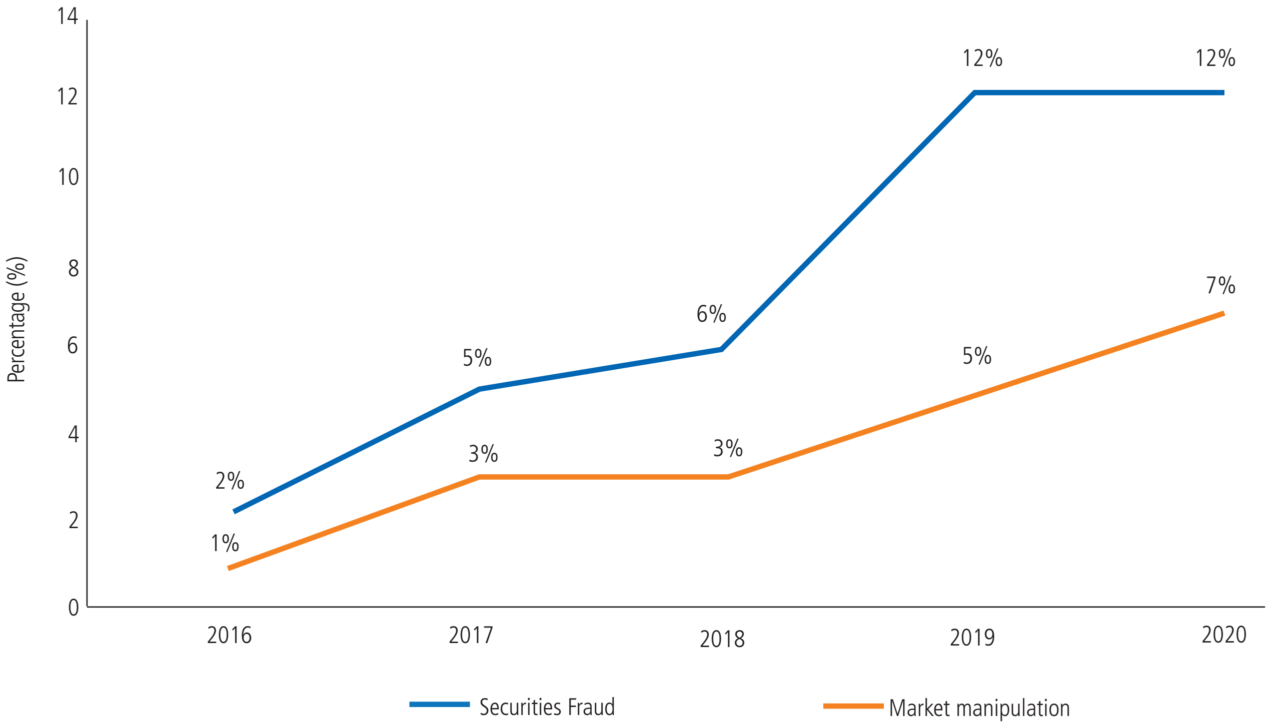


CHART 3

Uptrend of active investigations involving securities fraud and market manipulation offences from 2016 to 2020



The SC's Investigating Officers are given an array of investigative powers under the SCMA to facilitate the gathering of admissible evidence. This includes the power to obtain documentary and oral evidence, which form an integral part of the investigative process. In 2020, the SC searched 5 premises to gather relevant information and documents. A total of 162 boxes of documents and 6 digital devices have been seized from these premises. Electronic documents were extracted from the digital devices and analysed by the SC's digital forensics team.

In 2020, the SC's Investigating Officers recorded formal witness statements from 142 individuals. More than 75% of these statements were recorded from investors/securities accountholders, licensed person, professionals (which include auditors, bankers, lawyers and company secretaries as well as directors and senior management of PLCs (Chart 4).

The SC also sought assistance to record statements from witnesses located overseas and to obtain documentary evidence such as banking documents, securities transaction, telephone records as well as information on beneficial ownership of companies from foreign supervisory authorities under the *IOSCO Multilateral Memorandum of Understanding on Consultation and Co-operation and Exchange of Information.*

The SC made 18 requests for investigative assistance to 8 foreign supervisory authorities (Table 1). The SC rendered assistance to 4 foreign assistance supervisory authorities in relation to 5 requests for investigation assistance.

Administrative Actions

In 2020, a total of 45 administrative sanctions were imposed by the SC for various misconducts and breaches of securities laws including issuance of an abridged prospectus containing information from which there is a material omission, breaches of licensing conditions, breach of take-overs and mergers provisions and for late submission of documents under the LOLA Framework.

Sanctions imposed on the parties in breach comprised reprimands, revocation of licence, imposition of penalties and directives and requirement to make restitution (See Table 2).

CHART 4

Witness statements recorded in 2020 by type of witness

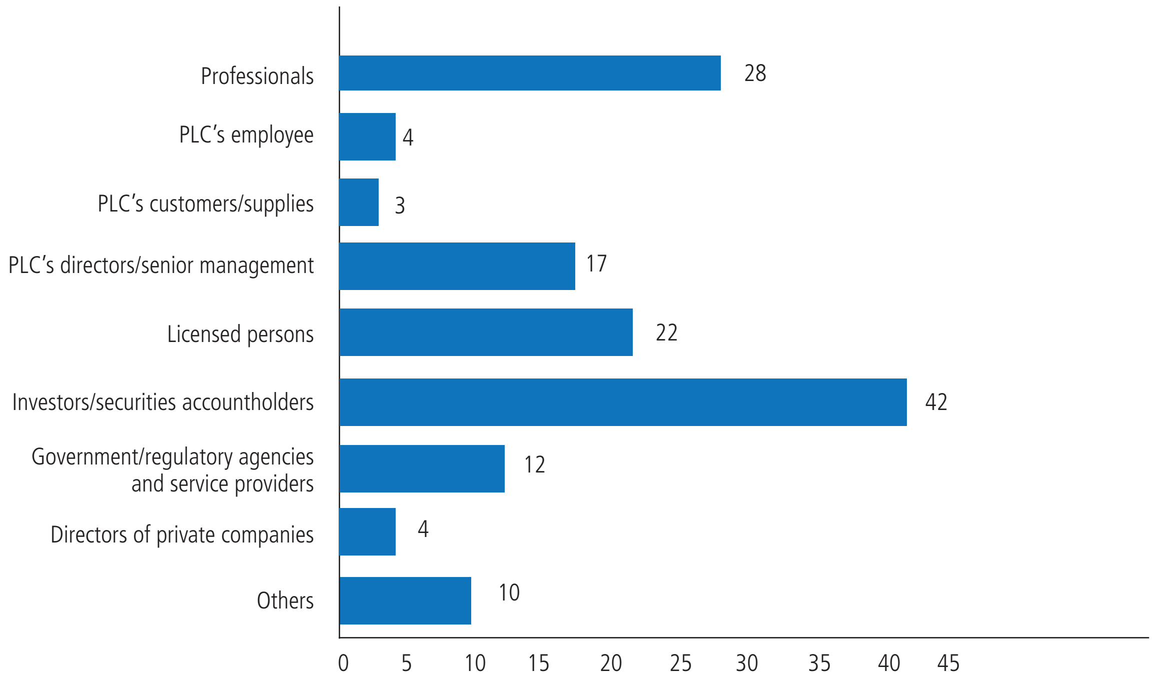


TABLE 1

Requests for investigative assistance

Jurisdictions	No. of requests
British Virgin Island	3
Hong Kong	3
India	1
Japan	1
Jersey	1
Luxembourg	2
Singapore	4
United Kingdom	3
TOTAL	**18**

In 2020, a total of RM1.29 million in penalties were imposed against the following parties:

- A chief executive officer and directors of a PLC for authorising the issuance of an abridged prospectus containing information from which there is a material omission;
- A principal adviser for causing the issuance of the aforementioned abridged prospectus containing information from which there is a material omission;
- A licensed intermediary for delay in submitting the monthly statistical returns for wholesale funds;

TABLE 2

Administrative actions taken in 2020 by types of sanction and parties in breach

Parties in breach	Types of sanctions				
	Reprimand	Revocation/ Suspension of Licence	Penalty	Directive	Restitution
Licensed persons	9	1	2	3	1
PLCs or company applying for listing	1	-	-	-	-
Directors/senior management of PLC or company applying for listing	9	-	5	-	-
Principal Adviser	1	-	1	1	-
Persons acting in concert	3		1		
Other individuals[1]	3	-	3	-	1
TOTAL	**26**	**1**	**12**	**4**	**2**

[1] 2 individuals who allowed third persons who are not the beneficial owners of their CDS accounts to dispose shares through the accounts, and a unit trust consultant who had committed misconduct in breach of the FIMM's *Code of Ethics and Rules of Professional Conduct* (Unit Trust Funds).

- A licensed individual for engaging in an act, practice or course of business which operated as a fraud directly in connection with the subscription, purchase and sale of securities and derivatives;
- 2 individuals who allowed third persons who are not the beneficial owner of their CDS accounts to dispose shares through the accounts;
- A unit trust consultant who had committed misconduct in breach of the FIMM's *Code of Ethics and Rules of Professional Conduct* (Unit Trust Funds); and
- Persons acting in concert who had increased their collective shareholdings to more than 33% without undertaking a mandatory offer hence constituted a breach under the take-overs and mergers provisions.

Ongoing Court Cases for 2020

For the year 2020, there were 34 ongoing cases at various level of courts from the Sessions Court up to the Court of Appeal involving 62 individuals. (Table 3)

TABLE 3

Ongoing cases in courts

Court	No. of cases	No. of individuals
Sessions Court	17	28
High Court (Criminal)	4	4
High Court (Civil)	8	22
Court of Appeal	5	8
TOTAL	**34**	**62**

The nature of cases ranges from insider trading (50%), corporate governance related breaches such as financial misstatement and financial disclosure (17%), securities fraud (9%), market manipulation (9%), unlicensed activities (6%) and AMLATFPUAA (9%) (Chart 2) (Table 4).

TABLE 4

Breakdown of nature of cases by number of cases and individuals

Type of offence	No. of cases	No. of individuals
Corporate governance	6	12
Insider trading	17	25
Securities fraud	3	5
Market manipulation	3	6
Unlicensed activities	2	10
AMLATFPUAA	3	4
TOTAL	**34**	**62**

Civil Enforcement Actions 2020

In 2020, the SC initiated civil enforcement action against 14 individuals. This includes an *ex parte* injunction to freeze assets amounting to RM169,223,500.00 from 3 defendants suspected to be involved in a securities fraud. This injunction order was obtained via the SC's first online injunction application during the MCO.

A total of RM11,955,894.63 was disgorged from 18 individuals by way of regulatory settlements and a further RM1,228,752.00 was disgorged through consent judgment from 4 individuals. This is on top of a disgorgement against an individual amounting to RM2,089,402.00 obtained by the SC from a full judgement. A total of RM2.2 million payment of civil penalty was also obtained by the SC for the year 2020.

As of 31 December 2020, a total of RM3,868,679.24 have been restituted to 533 investors. A further RM4,339,821.62 have been earmarked for further restitutions involving 1,205 investors. Through its civil enforcement action, 15 individuals were restrained from trading in the stock exchange while 16 individuals were barred from becoming a director of PLC.

Further details on the SC's Civil Enforcement Action are available in the SC's website via this link, https://www.sc.com.my/regulation/enforcement/actions/civil-actions-and-regulatory-settlements/civil-action-in-2020.

Criminal Action 2020

In 2020, the SC managed to secure convictions against 5 individuals involved in various breaches of securities laws such as securities fraud, false financial disclosure, insider trading and failure to appear before an investigation officer for a money laundering investigation.

The sentence imposed through these convictions include a jail period of up to 6 months and total fines of RM5,884,500.00.

A total of RM1.2 million was also collected by the SC through payment of its compound.

Further details on the SC's Criminal Action are available in the SC's website via this link, https://www.sc.com.my/regulation/enforcement/actions/criminal-prosecution/updates-on-criminal-prosecution-in-2020.

INVESTOR EMPOWERMENT INITIATIVES

VIRTUAL INVESTSMART® Fest 2020

23 – 25 OCTOBER 2020

9,000+ VISITORS
- Over 50% reside outside Klang Valley
- 30% are between the ages of 18-30

37 EXHIBITORS
- Capital Market Intermediaries
- Associations
- Regulatory and Government Agencies

40 SPEAKERS

460
Slots of free consultation with licensed financial planners offered at #FinPlan4U service desk

On the investor education end, the COVID-19 pandemic has impacted the InvestSmart®'s plan for face-to-face or on ground investor education initiatives. As InvestSmart® events such as Bersama InvestSmart®@Borneo and InvestSmart®@SC had to be cancelled, its focus shifted to digital media, television and radio as the means to continue reaching out to the public with its investor education initiatives.

Virtual InvestSmart® Fest 2020

In October 2020, the seventh instalment of the InvestSmart® Fest was held virtually for the first time. InvestSmart® Fest 2020 themed, 'Silap Labur Duit Lebur' was in support of the Financial Education Network's (FEN) inaugural Financial Literacy Month 2020 held in October. The event gathered 37 exhibitors comprising capital market intermediaries, associations, regulators and ECF, P2P financing and digital assets market operators. The 3-day event also offered over 450 free consultations with licensed financial planners at the virtual #FinPlan4U financial services desk.

Anti-Scam Initiatives

Recognising the potential rise in scams during the current economic uncertainties due to the COVID-19 pandemic, InvestSmart® carried out various initiatives to raise awareness on anti-scam.

Key initiatives were:

New InvestSmart® Anti-scam Videos

In conjunction with the event, InvestSmart® broadcasted 4 new anti-scam awareness videos to raise awareness among investors from falling prey to scams. The videos garnered over 190,000 views online.

Dedicated Anti-scam Webpage on the SC's Website

A dedicated web-page was created on the SC's website to share insights on the scammers' *modus operandi*, steps that public can take to avoid being scammed and news related to scams, not only in Malaysia but also overseas.

3 week TV Campaign on Media Prima Channels

InvestSmart® carried out a TV campaign on anti-scam awareness for three weeks from 10 to 30 April 2020 via 4 Media Prima TV channels – TV3, TV9, NTV7 and 8TV. The 15-second message was screened 504 times throughout the 3-week period, reminding the public to exercise extra caution, with reminders on the InvestSmart® T.I.P.U formula before investing.

These 4 channels recorded monthly viewership ranging from 4 million to 15 million which gave InvestSmart® a very good reach, particularly during the MCO period.

Public Service Announcements on All TV and Radio Channels

The SC continues its collaboration with the Ministry of Multimedia and Communication Malaysia, to promote investment literacy and anti-scam awareness messaging nationwide.

In tandem with the SC's media release on 29 May 2020 to warn the public on the rise of clone firm scams, the SC, in collaboration with Ministry of Multimedia and Communication Malaysia, released several public service announcements. These public service announcements, both in English and BM, were on-air for 3 months from 2 June 2020 to 31 August 2020.

InvestSmart® Education

InvestSmart® Online Series

In May 2020, the InvestSmart® Online Series was launched to provide education to public via short video podcasts and tutorials on the basics of investing. InvestSmart® has since developed and shared with the public a variety of videos on its social media platforms:

- *Kenali Pengurus Pelaburan Digital* (Robo-Advisors);
- How to Search for Licensed Financial Planners;
- Getting Started with Bitcoin and Digital (Crypto) Assets in Malaysia;
- *Perkara-Perkara Asas Berhubung Urusniaga Saham Syarikat Tersenarai;*
- Dealing with Unauthorised Digital Asset Exchanges; and
- *Penipuan Firma Klon.*

These videos garnered more than 130,000 views in total.

Daily Postings on InvestSmart®'s Social Media platforms

Since the MCO, InvestSmart® increased the frequency of messages posted on its social media platforms such as:

- Special relief measures introduced by the SC, particularly on the areas directly benefiting the public e.g. pre-retirement PRS withdrawals;
- General knowledge on capital market products and services;
- Carried out online polls on capital market literacy; and
- COVID-19 related social responsibility awareness e.g. social distancing .

Digital Literacy for Seniors Programme

The COVID-19 crisis in 2020 has significantly changed the manner in which we carry out our daily activities where more are being done online, including matters relating to financial and investment. This has led to concerns that the silver population may face certain challenges in embracing the technology particularly in using digital financial services. The Digital Literacy for Seniors Programme was developed to create awareness for the silver population, aged 55 years and above, to achieve digital financial inclusion through webinar sessions. The first webinar held on 17 December 2020 recorded 211 registered participants.

Others

Capital Market Frequently Asked Questions Related To COVID-19

InvestSmart® produced the 'Investors' section on the website including reminders to the public to be extra cautious of scams and illegal schemes during this difficult time.

IOSCO's World Investor Week 2020

During the World Investor Week 2020 (WIW 2020), held from 5 to 11 October 2020, InvestSmart® disseminated the following messages to the public:

- The importance of financial planning, particularly in the midst of the COVID-19 crisis and the post-banking moratorium period; and
- The importance of being more vigilant when investing, and avoiding unlicensed share trading platforms and investment advisers.

These messages were disseminated to the public via BFM89.9 audio podcasts.

Collaborative Events

In addition to the above, InvestSmart® also participated in collaborative events organised by other agencies.

InvestSmart® @ AKPK's SURIHATI BIJAK, GENERASI TERDIDIK #DEMIESOK

The Credit Counselling and Debt Management Agency (Agensi Kaunseling dan Pengurusan Kredit or AKPK) in collaboration with Tenaga Nasional Bhd, organised a programme titled 'Surihati Bijak, Generasi Terdidik #Demiesok' on 28 and 29 January 2020 in Kuala Lumpur. Targeted to the female staff of TNB, the objective was to raise awareness on the importance of personal financial management in various aspects of life, women's welfare and empowerment in making financial decisions. The InvestSmart® team set up a booth and engaged with 350 participants over the two-day event, raising awareness on the SC's role and InvestSmart® initiatives.

MAG-FEN Virtual Talk Series 2020

BNM's Muzium and Art Gallery (MAG) organised the MAG-FEN Virtual Talk Series on 27 August 2020, to raise awareness among university students and their understanding on financial issues especially from the aspect of new norms. The webinar programme was an hour virtual talk presented by guest speakers from FEN members. InvestSmart® shared a presentation on 'Pengenalan Tentang Pasaran Modal Malaysia dan Inisiatif InvestSmart®'. A total of 225 participants from 15 universities registered.

Malaysia Financial Planning Council (MFPC) - My Money & Me Programme

SC in collaboration with the Ministry of Youth and Sports and Majlis Belia Malaysia, had participated in MFPC's online *My Money and Me* programme. The programme aims to promote the importance of financial planning and to cultivate good savings habit and smart investment culture among the youth. A total of 7 online workshops were conducted with participation of 2,395 attendees nationwide.

Bernama's Ruang Bicara talkshows sponsored by BNM

The SC participated in the final episode of BERNAMA's *Ruang Bicara* talkshow sponsored by BNM. Appearing alongside Bursa Malaysia, the SC shared among others the impact of the COVID-19 pandemic on investment decisions, initiatives introduced by both the SC and Bursa Malaysia, including updates on FEN's Financial Literacy month 2020.

COMPLAINTS AND ENQUIRIES

For the period ending 31 December 2020, the SC received:

- 1,482 complaints
- 2,193 enquiries

TABLE 1

	2020	2019	2018
Complaints	1,482	821	558
Enquiries	2,193	1,336	1,104

CHART 1

Classification of complaints

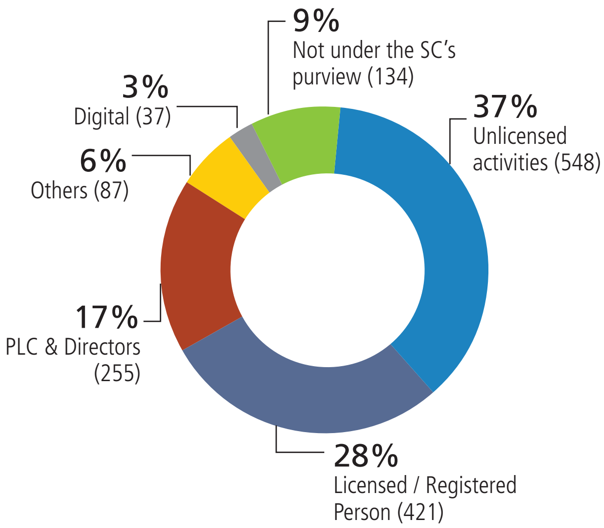
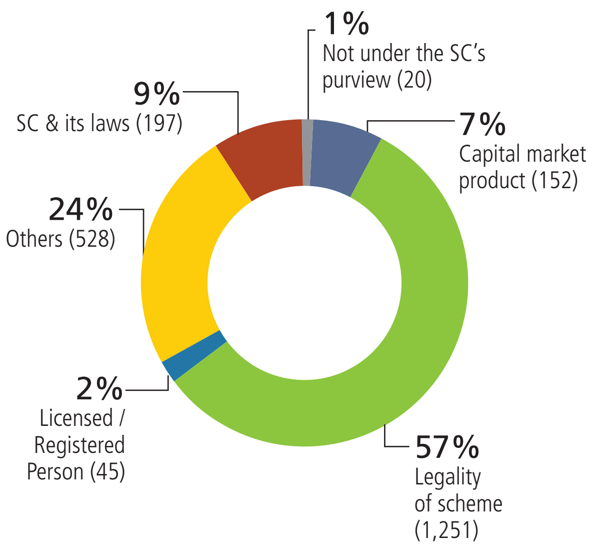


CHART 2

Classification of enquiries



PEOPLE

The year 2020 was a unique year as the SC had to pivot quickly to lead and assist employees in navigating through the new challenges due to COVID-19. To meet these urgent needs, the focus was to develop and implement a wide range of policies, programmes and procedures to respond to the impact of the COVID-19 on employees as they adapted to the new norms across the workplace.

The SC provided new or modified procedures and methods to support employees during the initial stages of the pandemic as they continued to work effectively in a more virtual environment whether from home or in the office. This included instituting remote work arrangements with the priority of keeping employees safe. At the same time, automated HR work transactions to manage critical HR transactions via online workflow system were implemented. The SC also digitised some of the work processes and systems to enable operational continuity to support the businesses.

Recruitment and Talent Management

Recruitment and onboarding were conducted remotely to mitigate hiring disruption through virtual interviews and the use of web-based assessments. This initiative resulted in the recruitment of 72 candidates, of which 56 were experienced hires and 16 Graduate Management Executives (GME).

The SC continued to provide opportunities for young graduates to gain knowledge and experience working in a regulatory environment. 29 undergraduate students completed their internships during the year.

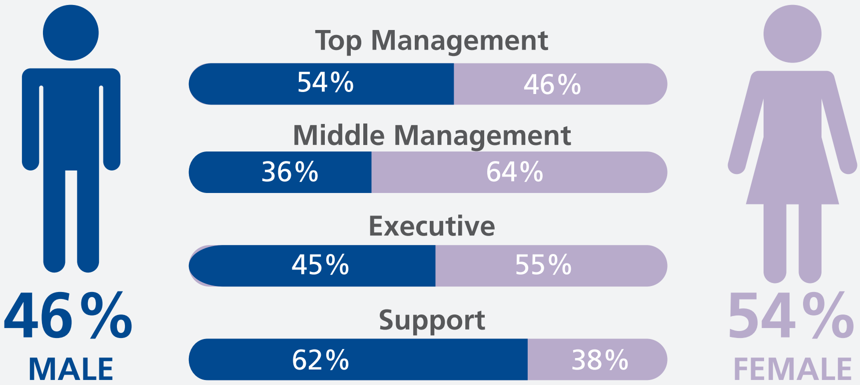
In continuing our talent management efforts, 2 employees underwent secondment or attachment programmes to gain greater learning and broader work experience. The SC also hosted 1 personnel from an enforcement agency under the regulatory attachment programme.

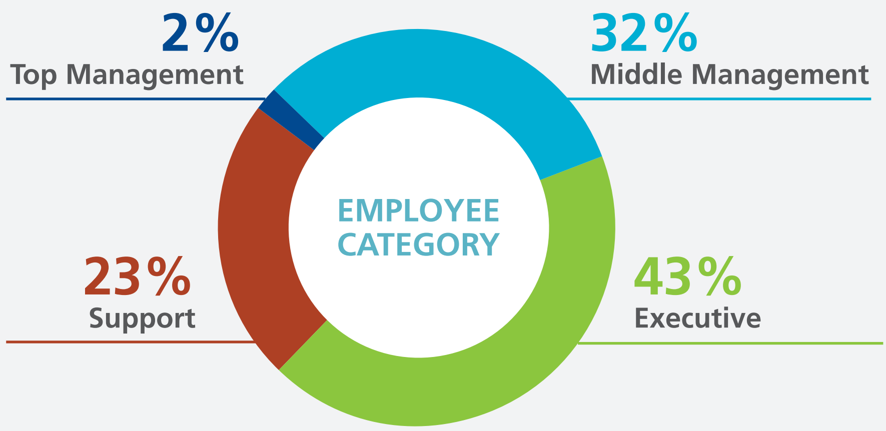
The employee learning and development continued to be the SC's ongoing effort with 84% attending various learning programmes ranging from workshops, seminars, conferences to online programmes. With more employees working from home and consistent with the implementation of new norms, the shift to virtual learning was instituted. In 2020, there has been an increase of 50% of online training programmes attended by employees compared to only 1% in 2019.

As part of the SC's efforts to upskill its employees, in 2020, 4 employees pursued their post-graduate professional qualification through the PROFOUND scheme, the SC's financial scheme for continuous professional development. The SC has also facilitated 9 employees to be Certified Digital Forensic for First Responder, aimed to strengthen the development of cyber security competencies among the SC employees.

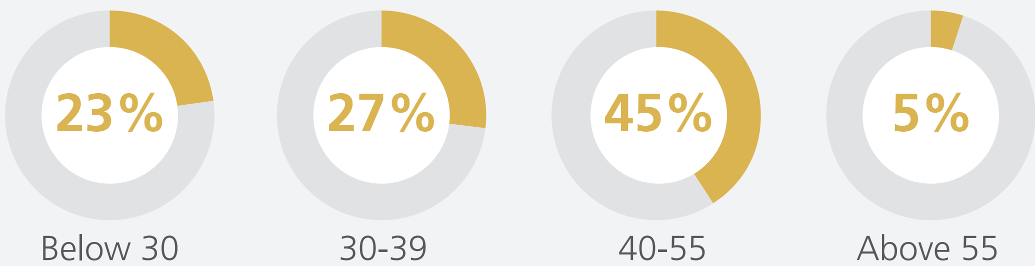
GENDER DIVERSITY

HEADCOUNT: 741 (As at 31 December 2020)

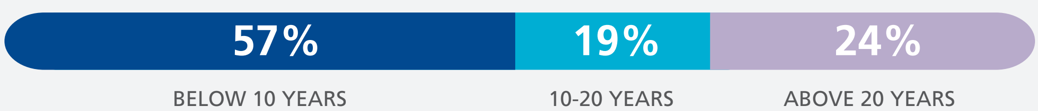




WORKFORCE DISTRIBUTION BY AGE



YEARS OF SERVICE



ACRONYMS AND ABBREVIATIONS

ACGA	Asian Corporate Governance Association
ACMF	ASEAN Capital Markets Forum
AE	advanced economies
AGM	annual general meeting
AMLATFPUAA	*Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001*
AML/CFT	AntiMoney Laundering and Counter Financing of Terrorism
AOB	Audit Oversight Board
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
AUM	assets under management
BIX	Bond+Sukuk Information Exchange
BMDC	Bursa Malaysia Derivatives Clearing
BMSC	Bursa Malaysia Securities Clearing
BNM	Bank Negara Malaysia
BRIDGe	Brokerage Industry Digitisation Group
Bursa RegSub	Bursa Regulatory Subsidiary
CAR	capital adequacy ratio
CCP	central counterparty
CDS	Central Depository System
CEF	closed-end fund
CFA	chartered financial analyst
CG	corporate governance
CIS	collective investment schemes
CMDF	Capital Market Development Fund
CMSA	*Capital Markets and Services Act 2007*
CMSL	Capital Markets Services Licence
CMSRL	Capital Markets Services Representative's Licence
CPE	Continuing Professional Education
CSM	Cyber Security Malaysia
DAC	digital asset custodians
DAX	digital asset exchanges
DFI	development financial institution
DIM	digital investment management
DRP	dividend reinvestment plan
ECF	equity crowdfunding
EGM	extraordinary general meeting
EME	emerging market economy
EPF	Employees Provident Fund
ERP	employee of Registered Person
ESG	environmental, social and governance
eSP	electronic service provider

ETF	exchange-traded fund
F2F	face-to-face
FAST	Fully Automated System for Tendering
FATF	Financial Action Task Force
FBM 100	FTSE Bursa Malaysia Top 100 Index
FBMKLCI	FTSE Bursa Malaysia Kuala Lumpur Composite Index
FCPO	crude palm oil futures
FEN	Financial Education Network
FIMM	Federation of Investment Managers Malaysia
fintech	financial technology
FKLI	FTSE Bursa Malaysia KL Composite Index Future
FMC	fund management company
FMDG	Fund Management Industry Digitisation Group
FP	financial planner
GDP	gross domestic product
GEM	Growth and Emerging Markets
GFC	global financial crisis
GME	graduate management executive
ICM	Islamic capital market
ICMGTS	ICM Graduate Training Scheme
ICMR	Institute for Capital Market Research
ICO	initial coin offering
IDSS	intraday short selling
IEO	initial exchange offering
IIF	Institute of International Finance
IMF	International Monetary Fund
INTAN	National Institute of Public Administration
IOSCO	International Organization of Securities Commissions
IPO	initial public offering
JC3	Joint Committee on Climate Change
JKKMAR	Special Cabinet Committee on Anti-Corruption
KYC	Know Your Client
Labuan FSA	Labuan Financial Services Authority
LRM	liquidity risk management
LOLA Framework	Lodge and Launch Framework
MACC	Malaysian Anti-Corruption Commission
MASB	Malaysian Accounting Standards Board
MCCG	*Malaysian Code on Corporate Governance*
MCO	movement control order
MFPC	Malaysia Financial Planning Council
MFRS	*Malaysian Financial Reporting Standards*
MGS	Malaysian government securities
MICPA	Malaysian Institute of Certified Public Accountants
MKN	National Security Council
MoU	memorandum of understanding
MSFI	Malaysian Sustainable Finance Initiative
MSME	Micro, small and medium enterprise
MSWG	Minority Shareholders Watch Group
NACSA	National Cyber Security Agency
NAV	net asset value
OACP	Organisational Anti-Corruption Plan

OCIS	Oxford Centre for Islamic Studies
OPR	overnight policy rate
P2P financing	peer-to-peer financing
PCF	property crowdfunding
PDT	propriety day trader
PE	private equity
PEMC	private equity management corporation
PENJANA	National Economic Recovery Plan
PIE	public-interest entity
PLC	public-listed company
PO	participating organisations
PRS	private retirement scheme
QP	qualified person
QSP	qualified senior personnel
R&R	restructuring and rescheduling
REIT	real estate investment trust
RMO	recognised market operator
RPA	recognised principal adviser
RSS	regulated short selling
RTO	reverse take-over
RWCR	risk weighted capital ratio
SAC	Shariah Advisory Council
SC	Securities Commission Malaysia
SCMA	*Securities Commission Malaysia Act 1993*
SCxSC	Synergistic Collaborations by SC
SFN	Sustainable Finance Network
SICDA	*Securities Industry (Central Depositories) Act 1991*
SIDC	Securities Industry Development Corporation
SIDREC	Securities Industry Dispute Resolution Center
SIFI	sistemically important financial institution
SOP	standard operating procedure
SRI	sustainable and responsible investment
SRO	self-regulatory organisation
SROC	SC Systemic Risk Oversight Committee
SRR	statutory reserve requirement
SSM	Companies Commission Malaysia
STF	Sustainable Finance Task Force
UK	United Kingdom
UMA	unusual market activity
UTF	unit trust fund
VC	venture capital
VCC	venture capital corporation
VCMC	venture capital management corporation
WF	wholesale funds
WFH	work from home
WHO	World Health Organization
y-o-y	year-on-year