



CHAIRMAN'S MESSAGE

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It is my honour to share the Securities Commission Malaysia's (SC) Annual Report for year 2021.

It has undoubtedly been another challenging year for the Malaysian capital market. Nevertheless, the domestic capital market grew by 3% to RM3.5 trillion in 2021 on the back of a robust capital market regulatory infrastructure, diversified market ecosystem and market participants' strong capitalisation levels. More importantly, the capital market continued to play its critical roles in financing the economy and intermediating savings with notable increase in fundraising activities and encouraging growth of the overall fund management industry.

In the past year, the SC worked closely with Bursa Malaysia and key stakeholders to help businesses recover and rebuild from the economic impact of

COVID-19. Various regulatory reliefs for the market and listed companies were extended while the SC adjusted its strategic priorities to ensure the capital market remains fair and orderly, and emerging risks are monitored effectively. We continue to advance our development initiatives particularly in promoting the sustainability agenda, growing the Islamic capital market (ICM) and harnessing innovation.

The SC also released the *Capital Market Masterplan 3* (CMP3) in the second half of the year. This will set the tone and direction for development and regulatory initiatives for the medium term. I am confident that CMP3 will engender a market ecosystem that is relevant, efficient, diversified and inclusive.

PROTECTING INVESTORS AND UPHOLDING CORPORATE GOVERNANCE

Investor protection efforts over the past year focused on combating unlicensed activities. Actions taken against unlicensed activities and unauthorised operators include issuing 24 cease and desist orders to persons carrying on unlicensed investment advice, 13 administrative sanctions via reprimands and directives, and blocking access to 143 websites via the Malaysian Communications and Multimedia Commission (MCMC). An internal taskforce was also established to investigate investment scams and clone firms which reviewed 159 bank accounts that identified 32 persons of interest.

We continue to deliver key investor education programmes via digital channels. Digital literacy programmes for seniors and online InvestSmart® series were also held to narrow the digital divide.

The SC continued to exercise its enforcement powers for breach of securities laws using the broad range of enforcement tools available under securities laws, namely, criminal prosecution, civil enforcement action, issuance of compound and administrative sanctions. In 2021, through our civil enforcement action we restituted RM2.7 million to 721 investors who have suffered losses as a result of such breaches.

Given sustained market volatility and uncertainty, we enhanced market surveillance capabilities during the year, including more extensive monitoring of corporate bonds and take-over activities. Regular supervisory assessments and thematic reviews were carried out to monitor the liquidity position of our intermediaries and determine their ability to absorb redemption pressures.

During the year, we also updated the *Malaysian Code on Corporate Governance* (MCCG) taking into account changes in business structures and the importance of sustainability considerations moving forward. I am also happy to report that we initiated our first collaboration with the academia through the delivery of several

lecture series on corporate governance to tertiary students. The SC's *Corporate Governance Strategic Priorities 2021-2023* (CG Strategic Priorities) represents another step forward in advancing board leadership as well as embedding environmental, social and governance (ESG) considerations into domestic corporate practices.

FACILITATING MARKET ACCESS AND DIGITAL ADOPTION

Broadening access for issuers and investors continues to be a key development priority for the SC. This entails encouraging an innovative and effective fundraising and investment environment that supports a diverse and complementary range of products and services.

Access to funding for micro, small and medium enterprises (MSMEs) remains at the forefront of growth initiatives. Since the introduction of equity crowdfunding (ECF) and peer-to-peer financing (P2P financing) platforms, a total of RM2.7 billion has been raised for more than 4,000 MSMEs. Efforts over the past year include expanding the types of eligible issuers for ECF as well as increasing ECF fundraising limits. The *Shariah Screening Assessment Toolkit for the Unlisted Micro, Small and Medium Enterprises* was also issued to assist them in undertaking Shariah-compliant financing.

Fundraising through the conventional equity and bond markets saw a marked increase to RM130.9 billion in 2021. The SC continued to enhance access for initial public offerings (IPOs) with Bursa Malaysia authorised as the one-stop centre for ACE Market listings effective 1 January 2022 and revisions made to the special purpose acquisition company (SPAC) framework.

In response to growing investor preferences for diverse and alternative products, the SC widened the categories of sophisticated investors and increased the list of permissible investments for the RM526.9 billion unit trust industry.

Digital assets continued to appeal to individual investors, with overall trading value close to RM21 billion. Bitcoin Cash was the newest addition to the range of permissible digital assets. The SC also approved new digital market platforms and intermediaries to expand distribution channels and product offerings. In addition, FIKRA Islamic Fintech Accelerator programme (FIKRA) was launched to scale up innovative solutions for Malaysia's RM2.3 trillion ICM.

ADVANCING A SUSTAINABLE CAPITAL MARKET

The desire for sustainability practices continues to be a driving force for change, with expanding global interest in sustainable finance. In the Malaysian context, sustainability initiatives focused on encouraging sustainable and responsible investments (SRI), green financing, as well as complementary Islamic products and services.

In building a vibrant domestic SRI market ecosystem, various enablers were put in place such as the establishment of the Joint Committee on Climate Change (JC3), which the SC co-chairs with Bank Negara Malaysia (BNM), SRI Taxonomy, guidance on climate risk management and scenario analysis as well as climate risk disclosures. At the regional level, the SC and other fellow regulators are in the midst of consulting stakeholders on the ASEAN Taxonomy for sustainable finance.

The growth of green and transition financing as well as Islamic financial solutions will be crucial for sustainability efforts to succeed. Towards this end, the SC developed the NaviGate programme to enhance awareness of green financing and to match corporates, including MSMEs, with suitable financing solutions. In terms of Islamic social finance, there was continued traction in *waqf*-featured funds, with 4 funds issued under the Waqf-Featured Fund Framework as at December 2021.

MOVING FORWARD IN 2022

Prospects of a better year for the Malaysian capital market are predicated on sustained domestic economic recovery. The implementation of CMP3 initiatives will also provide further impetus to market activities. The SC will remain vigilant in navigating the year ahead as there remain several challenges which can potentially exacerbate market volatility and affect sentiment.

Technology will continue to be a key driver for market growth and development. Internally, the SC's technology roadmap will accelerate the adoption of machine learning capabilities and supervisory technology (SupTech) to enhance the effectiveness of our regulatory functions. However, as online tools and regulatory technology (RegTech) solutions gain acceptance within the industry, it is important to take cognisance of risks arising from the use of technology and cyber threats.

The SC's adoption of an enhanced risk governance framework had strengthened the effectiveness of our oversight and monitoring of potential systemic risks. The framework, which integrates conduct, technology, and cyber risks into existing risk assessments, allows for better detection of risks with market-wide implications.

We will also continue with efforts to expand fundraising avenues for MSMEs, including facilitating access to the domestic corporate bond market. Such measures are essential to support a recovery in economic activities going forward.

Promoting financial well-being will be another area of focus. The SC will be working closely with the industry to enhance the diversity of investment and retirement products. In this regard, the delivery and penetration of financial education and investor outreach programmes will be expanded beyond Kuala Lumpur and the main cities. The SC's 'Agen Bijak Labur Desa' and 'Digital Clinics for Urban B40' will target vulnerable segments

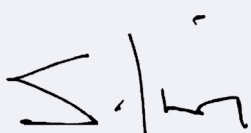
of the population, especially the rural communities, senior citizens and urban poor, to equip them with the knowledge of investment risks and opportunities and tools to identify scams.

In 2022, resources will also be expanded to drive the implementation of the SC's 3-year CG Strategic Priorities. This includes close collaboration with the government and private sector in driving diversity on boards, enhancing sustainability disclosures and continuing our programme with institutions of higher learning to inculcate good CG among the youth. I believe the CG landscape will be strengthened with the roll-out of various *Perkukuh Pelaburan Rakyat* (PERKUKUH) corporate governance initiatives for government-linked investment companies (GLICs).

Sustainability considerations will also permeate a wide spectrum of capital market activities. The SC will roll out several initiatives to support industry adoption of sustainability considerations and disclosures including the SRI Taxonomy framework and guidance note on ESG risks for fund managers.

As businesses and capital markets start to rebuild, the height and steepness of our recovery trajectory rest on our collective effort, commitment, and collaboration. Co-operation and engagement with other regulators and law enforcement agencies within and outside Malaysia are equally important to ensure that the SC discharges its regulatory responsibilities effectively in order to maintain the integrity of the capital market.

My sincere thanks goes out to past and present members of the SC Board and the SAC, Executive Team members, and the SC staff who continue to exemplify the utmost professionalism and passion for their work. With their dedication and support, I am confident that the SC will be able to deliver on what it sets out to do this year and beyond.



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