

The Reporter

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Executive Summary

Amid the unprecedented and challenging conditions brought about by the COVID-19 pandemic, the Securities Commission Malaysia (SC) continues to ensure the proper functioning of the capital market, taking into account the interest of investors.

This issue highlights how the SC has been responding to challenges in relation to a harsh business and economic environment, volatile markets and the proliferation of various investment scams.

1.



**Regulatory
adeptness**

2.



**Maintaining
market integrity
and proper
conduct**

3.



**Investor
awareness and
protection**

The COVID-19 pandemic has shown the importance of digitisation efforts in the capital market, with businesses accelerating the adoption of digital capabilities to sustain their operations.

Please send your comments, feedback or ideas for future editions to the Editorial Team at reporter@seccom.com.my.

Maintaining
market integrity
amid a challenging
environment and
moving forward in
the digitalisation of
the capital
market



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Navigating Today's Challenges for a Stronger Tomorrow

The COVID-19 pandemic, which started as a health crisis has reverberated through financial markets worldwide, eclipsing the levels experienced in the global financial crisis of 2008. International organisations such as the United Nations¹, Financial Stability Board (FSB)² and the International Organization of Securities Commissions (IOSCO)³ have swung into action to address the impact of COVID-19. This includes reprioritisation to focus on investor protection, maintaining fair, efficient and transparent markets while mitigating systemic risks.⁴

Similarly, amid the challenging economic environment and volatile market conditions, the SC responded to ensure that markets continue to operate in a fair and orderly manner. The SC remains steadfast to its core mandate in maintaining a fair, efficient and transparent capital market in Malaysia and ensuring that investors are protected. Among the key priorities of the SC in maintaining market integrity are as follows:

 REGULATORY ADEPTNESS	 MARKET INTEGRITY AND CONDUCT	 INVESTOR AWARENESS AND PROTECTION
<ul style="list-style-type: none">• Continued market operations during pandemic;• Facilitate regulatory reliefs;• Enable immediate market opportunities;• Continued market digitisation; and• Strengthening corporate governance.	<ul style="list-style-type: none">• Operational resilience and contingency planning;• Cyber security; and• Greater transparency and disclosure in the market.	<ul style="list-style-type: none">• Anti-scam awareness;• Digital-based investor education programmes; and• Heightened investor alerts.

¹ United Nations Department of Economic and Social Affairs – Policy Brief No. 59 *Corona Crisis Causes Turmoil in Financial Markets* (April 2020) https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/PB_59.pdf.

² FSB co-ordinates financial sector work to buttress the economy in response to COVID-19 (20 March 2020) <https://www.fsb.org/2020/03/fsb-coordinates-financial-sector-work-to-buttress-the-economy-in-response-to-covid-19/>.

³ Securities regulators co-ordinate responses to COVID-19 through IOSCO (25 March 2020) <https://www.iosco.org/news/pdf/IOSCONEWS559.pdf>.

⁴ IOSCO reprioritises its work program to address impact of COVID-19 (8 April 2020) <https://www.iosco.org/news/pdf/IOSCONEWS562.pdf>.

Regulatory Adeptness

Why It Matters?

While the SC adopts a responsive approach in its multi-year regulatory reform agenda, the COVID-19 pandemic has underscored the importance of regulatory adeptness. In response to the immediate economic challenges and market disruptions, the SC's focused areas centred on balancing between **having a steady hand** and **applying regulatory responses that are flexible, timely and facilitating immediate market opportunities**.

Areas of Focus

- **Continued market access** was maintained during the pandemic to enable investors to manage their investment risks and opportunities.
- **Regulatory reliefs** were granted for intermediaries, issuers and other capital market participants. The regulatory flexibilities included time extension for regulatory reporting, conduct of virtual and hybrid annual general meetings by listed companies, flexibilities in take-over rules and an extended period for listed companies to regularise financial positions.
- **Immediate market opportunities** were created through liberalising equity crowdfunding (ECF) fundraising limit, allowing secondary trading for ECF and peer-to-peer financing (P2P) to facilitate liquidity and exits, enabling issuance of convertible debt by micro, small and medium-sized enterprises (MSMEs) to venture capital (VC) and private equity (PE), waiver of listing-related fees for initial public offering (IPO) and expanding investment solutions for investors.
- **Continued market digitalisation** has taken a new level of importance since the crisis. Digital capability is viewed as a key component for operational resilience and business continuity during the pandemic. Besides the immediate measures taken by the SC, market digitalisation continues to be critical for longer-term development of the capital market. This is elaborated in the article on *Digitalisation of the Malaysian Capital Market* in this issue of *The Reporter*.
- **Strengthening corporate governance** in the capital market remains a priority for the SC to foster a culture of good conduct and integrity. Market intermediaries and institutions are expected to uphold standards of governance and accountability while the SC heightened market oversight and engagements with market participants. Auditors of public-interest entities (PIEs) were reminded to maintain high-quality audits.

“Besides the immediate measures taken by the SC, market digitalisation continues to be critical for longer-term development of the capital market.”



Market Integrity and Conduct

Why It Matters?

The level of trust and confidence in the capital market is inextricably linked to market conduct and integrity. Having **robust internal controls, continuous compliance and good governance integrated within the corporate culture** of capital market intermediaries and institutions **are especially critical in times of market stress and volatility**. Furthermore, as the pandemic necessitated the movement control order (MCO), capital market players were tested on their resilience and capabilities particularly on the digital front. This has resulted in the need for greater vigilance over cyber threats. Accordingly, the SC's supervisory priorities were realigned to focus on operational resilience, contingency planning and cyber security.

Areas of Focus

- **Operational resilience** of intermediaries, institutions and market operators were kept under close monitoring. Operational continuity during the movement control period, contingency planning and credit conditions in the debt segment were reviewed for systemic implications. Listed companies were also reminded to ensure continuous compliance with disclosure requirements.
- **Cyber security** of capital market entities was a key focus area for the SC as remote operations were activated by most intermediaries.

The SC observed that trading interests in public-listed companies (PLCs) have been fuelled by disclosures or 'news' of how they were taking advantage of business opportunities arising from the COVID-19 pandemic, to venture into new investments and business collaborations. This may have also provided opportunity for unscrupulous characters to engage in pump-and-dump schemes through the spread of rumours and unverified, or misleading information. In order to address this, the following actions were undertaken:

- **Promoting greater transparency and disclosure** by requiring PLCs to provide fair, accurate and reliable disclosures and avoid disclosures that may mislead investors or cause unwarranted price movement and activities in the trading of the listed issuers' securities.⁵
- **Vigilance in monitoring market activities** – The SC continually monitors the markets to detect market misconduct.

“Furthermore, as the pandemic necessitated the movement control order, capital market players were tested on their resilience and capabilities particularly on the digital front.”



⁵ Bursa Malaysia's Issuers Communication – Disclosure Guidance on COVID-19 Related Impacts and Investments (10 June 2020): https://www.bursamalaysia.com/sites/5d809dcf39fba22790cad230/assets/5ee345f839fba27d815885f5/ICN_-_Disclosure_of_COVID-19_impacts__final-website__clean.pdf.

Investor Awareness and Protection

Why It Matters

During the COVID-19 pandemic, the proliferation of fraud and scams have left investors vulnerable. In April 2020, Fraud Watch International reported 18 million monitored attempts of phishing and malware attacks across the globe.⁶ In Malaysia, fraud and scams can range from impersonations of Government agencies such as the health authorities, Inland Revenue Board, etc., to scammers posing as licensed capital market intermediaries and financial institutions.

The vulnerability of investors stems in part from the search for yield in the current low-interest rate environment and their unrealistic expectations of the level of returns from their investments. In this regard, the SC continues to enhance awareness of the evolving *modus operandi* of investment scams by leveraging the mass media and through the SC's Investsmart® social media platforms.

Areas of Focus

- **Anti-scam awareness** initiatives are given focus through the issuance of media releases, social media platforms, radio announcements and news crawlers on television and the SC website.
- Investor reach pivoted to **digital-based investor education** through the InvestSmart® website <https://investsmartsc.my/> and its social media platforms on Facebook, Instagram and Twitter.
- With investors increasingly engaging in digital platforms, the SC's **Investor Alert List** continues to provide up-to-date information on illegal websites and electronic platforms.⁷

⁶ Fraud Watch International, 24 April 2020: <https://fraudwatchinternational.com/brand-abuse/increasing-scams-amid-the-covid-19-pandemic/>.

⁷ SC alert list: <https://www.sc.com.my/regulation/enforcement/investor-alerts/sc-investor-alerts/investor-alert-list>.

Message to Licensed Intermediaries

1. Maintain operational resilience through establishing robust internal controls, continuous compliance and good governance.
2. Always keep up-to-date with regulatory requirements and integrate them into the company's policies, procedures and practices.
3. Learn to adapt to the prevailing circumstances and give special attention to the areas of focus outlined by the SC. As we become more reliant on technology, data governance and cyber security should be made a key priority.
4. Communicate and deal with the SC and other regulatory agencies in an open manner. Be proactive and honest when dealing with issues relating to non-compliance.
5. Educate your customers and investors on the changes taking place in the market and ways they can protect themselves from scams.

Message to Investors

1. Be vigilant and avoid falling prey to scams and illegal investment schemes.
2. Be alert when making online investments and always be on the lookout for phishing attempts.
3. Do not give cash to any individuals or bank in monies into personal bank accounts of those who want to deal in investments on your behalf.
4. Deal only with individuals or entities that are regulated by the SC:
 - Refer to the SC website or utilise InvestSmart® mobile application to verify if an individual/entity is licensed by the SC to carry out regulated activities: <https://www.sc.com.my/regulation/licensing/licensed-and-registered-persons>.
 - Check the Investor Alert List available on the SC website to identify unauthorised websites/investment products/companies/individuals. <https://www.sc.com.my/regulation/enforcement/investor-alerts/sc-investor-alerts/investor-alert-list>.
5. For any queries on any investment scheme offered to you or to report suspicious activities and cyber fraud incidents, contact the SC through email at Aduan@seccom.com.my or call 03-6204 8999.

Digitalisation in the Malaysian Capital Market

Financial innovation empowered by technology has been central in the SC's strategy to develop the capital market towards better serving the needs and being more accessible to existing and a broader set of issuers and investors.

The June 2018 issue of *The Reporter* focused on the opportunities and challenges of fintech in the Malaysian capital market, offering a peek into various fintech initiatives spearheaded by the SC.¹ This article provides an update on the developments in this sphere.

Digital Transformation

The drive towards digital transformation of the capital market has continued unabated. This took on greater prominence and urgency in light of the COVID-19 pandemic as people were forced to rely on remote technology and online services. A study by McKinsey observed that what would have taken five years in consumer and business digital adoption happened in around eight weeks during the COVID-19 pandemic.²

Further, the reopening of economies in the era of the 'new normal' will not see a return to 'business-as-usual' as customer behaviours and preferred interactions have significantly changed. About 75% of people using digital channels for the first time during the COVID-19 pandemic indicated that they will continue to use them when things return to 'normal'.³

Market intermediaries who are able to adapt and transform themselves by harnessing technology will thrive and succeed by seizing new opportunities that arise. An example of this was witnessed during the Movement Control Order (MCO) period in March 2020 where a broker offering digital services reported having a surge, on a month-on-month basis, of more than 100% in account openings and 20% increase in trading value.⁴

“Market intermediaries who adapt and transform themselves by harnessing technology would be able to thrive and succeed by seizing new opportunities that arise.”



¹ See *Opportunities and Challenges: Financial Innovation and the Fintech Landscape in Malaysian Capital Market* (*The Reporter*, June 2018) available at the SC website: www.sc.com.my.

² McKinsey Digital, 14 May 2020 - *The COVID-19 Recovery Will Be Digital: A Plan for the First 90 days*: <https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/the-covid-19-recovery-will-be-digital-a-plan-for-the-first-90-days>.

³ See footnote 2, McKinsey Digital.

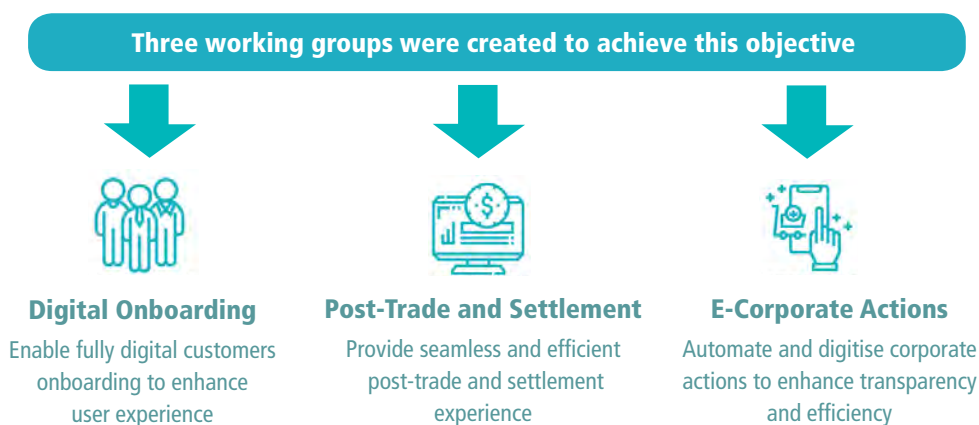
⁴ Rakuten Trade press release, 8 April 2020: <https://www.rakutentrade.my/b/what-s-new/rakuten-trade-activates-11-000-accounts-in-march>.

Updates on the SC's Fintech Initiatives

In pursuing its digital agenda for the capital market, the SC had focused both on accelerating the digitalisation of traditional capital market segments such as broking and fund management as well as facilitating new digital business models such as crowdfunding and digital investment management (DIM).

Bridging the Digital Gap in the Broking Industry

Globally, the proliferation of digital devices in the hands of retail investors have changed the way investors invest in the stock market. At the same time, the COVID-19 pandemic had also necessitated for general meetings and corporate actions to swiftly move online. Against this landscape, the Brokerage Industry Digitisation Group (BRIDGe), a multilateral partnership comprising the SC, Bank Negara Malaysia (BNM), Bursa Malaysia as well as industry participants was established in 2018 to accelerate the digitisation of Malaysia's stockbroking industry.



In January 2019, BRIDGe concluded its recommendations and initiated implementation efforts. Key achievements to date include:

➤ **#OpenAccountOnline**

- Enabling fully online account opening services for both trading and Central Depository System (CDS) accounts, with the removal of wet signature requirements, and to facilitate non-face-to-face verification⁵.

➤ **#Trade&SettleOnline**

- Enabling investors to settle large value trades online in a single transaction by facilitating a higher daily online transfer limit of up to RM100,000 for the stockbroking industry.

⁵ See R/R No 5 of 2019 issued on 17 September 2019 on changes to Bursa Malaysia's *Directive No. 5-001 (Directive On Conduct of Business)*.

➤ #ExerciseRightsOnline

- Enabling investors to access fully virtual and hybrid general meetings and subscribe to e-general offers;
- Enabling greater issuer-offering of e-corporate actions such as e-share conversion, e-rights and e-DRP; and
- Enabling investors to trade online seamlessly during a share consolidation exercise.

The SC also facilitated fully virtual online general meetings for PLCs, which was introduced during the MCO period⁶. Bursa Malaysia made history by becoming the first PLC in Malaysia to conduct its annual general meeting in this manner.⁷

Further details on BRIDGe's objectives and initiatives can be obtained via the BRIDGe webpage on the SC website.⁸

Driving Digitisation of the Fund Management Industry

In 2019, the SC set up the Fund Management Industry Digitisation Group (FMDG) to identify areas for digitisation across the fund management value chain, and enhance the digital experience of investors and overall operational efficiency of the industry.

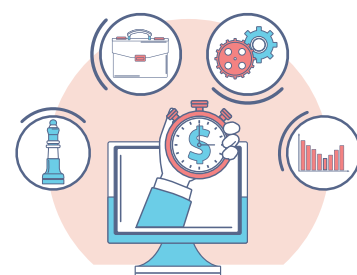
Growing Digital Investment Management

In 2017, the SC introduced the framework for Digital Investment Management (DIM), or known as robo-advisory to facilitate the offering of automated discretionary portfolio management services to investors. The first DIM licence was issued in October 2018. The growth of the DIM segment measured by assets under management (AUM) reached more than RM54 million, with three new firms licensed in 2019 including the first Islamic DIM and another three granted approval-in-principle.

DIMs have sought to cater to investors who are more discerning and technologically savvy by offering investment products and services that are easily accessible and flexible. In addition, they provide their robo-advisory services at a lower cost through the following:

- Utilising technology algorithms to automate portfolio management after a human portfolio manager has input his/her investment strategies;
- Adopting a more passive investment strategy,⁹ which includes investing in lower-cost index-tracking exchange-traded funds (ETF); and
- Onboarding investors directly through their technology platform, thus eliminating the cost of engaging or maintaining an agency force.

“DIMs have sought to cater to investors who are more discerning and technologically savvy by offering investment products and services that are easily accessible and flexible.”



⁶ SC Guidance Note - *Guidance and FAQs on the Conduct of General Meetings for Listed Issuers*: <https://www.sc.com.my/api/documentms/download.ashx?id=c5fbbbcd-3ab0-40ce-a22b-e8bb1d1fe0a8>.

⁷ *Bursa Malaysia holds fully virtual AGM, creates history*, MalaysiaKini (30 April 2020): <https://www.malaysiakini.com/news/523300>.

⁸ www.sc.com.my/development/digital/bridge.

⁹ The investment industry in the United States (US) reached a milestone in August 2019 when passive equity funds surpassed active funds for the first time - *Bloomberg Report*, 11 September 2019: <https://www.bloomberg.com/news/articles/2019-09-11/passive-u-s-equity-funds-eclipse-active-in-epic-industry-shift>.

The advent of robo-advisory services in Malaysia has proven to appeal to the younger segment, often the first-time investors. One of the first DIM companies to be licensed had disclosed that 70% of its investors were below 35 years old and many of whom first-time investors.¹⁰

Enabling Alternative Financing Avenues – ECF and P2P Financing

Being the first country in ASEAN region to introduce ECF in 2015, followed by P2P financing in 2016, these alternative funding avenues have greatly helped MSMEs, which account for more than 98% of business establishments in Malaysia and collectively contribute close to 40% of Malaysia's GDP.¹¹

The growth of these crowdfunding avenues is evidenced by 10,824 successful fundraising campaigns, resulting in RM908.58 million collectively raised by more than 2,333 MSMEs as at 30 June 2020. In 2019, the ECF market also saw the successful exit of three issuers, with investors capturing gains between 10% and 40%. Similar to DIM, ECF and P2P have managed to attract a new generation of digitally savvy investors where a majority of the retail investors are below the age of 35.

As the Malaysian economy has been impacted by the COVID-19 pandemic, it has also exacerbated the financial challenges faced by the MSME sector. Among the responses, which the SC took in April 2020 to assist these businesses in raising funds via ECF and P2P are as follows:¹²

- Allowing companies with capital of up to RM10 million to raise funds via ECF;
- Removal of the yearly limit of maximum fundraising of RM3 million for ECF;
- Increasing fundraising limits on ECF to RM10 million (previously RM5 million); and
- Introduction of secondary trading on ECF and P2P platforms, which would offer investors the flexibility of realising their investments sooner by selling their investments before the maturity period.

To encourage participation in ECF and P2P, the Malaysian Co-Investment Fund (MyCIF) of RM50 million was established to enable the Government to co-invest with private investors in financing MSMEs with a further RM10 million allocated specifically for social enterprises.¹³ In order to provide additional liquidity in the post-COVID economy, the funding matching ratio for eligible ECF and P2P campaigns was increased from 1:4 to 1:2, whereby MyCIF will invest RM1 for every RM2 successfully raised from private investors from April to September 2020.

ENCOURAGING
PARTICIPATION IN
**ECF AND
P2P**

**MyCIF
[RM50 MIL]
ESTABLISHED**

**GOVERNMENT
CO-INVEST WITH
PRIVATE
INVESTORS**

**RM10 MIL
ALLOCATION FOR
SOCIAL ENTERPRISE**

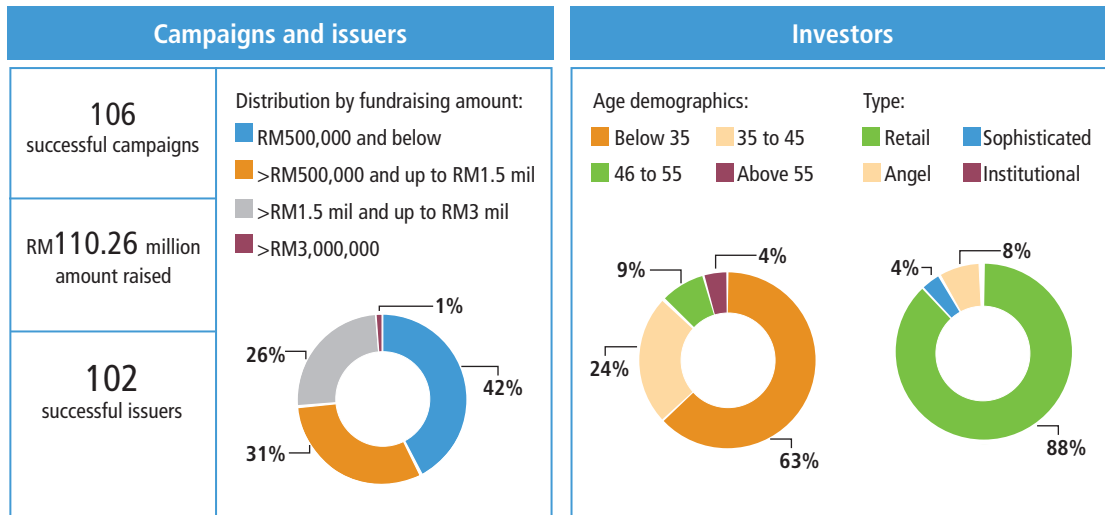
¹⁰ StashAway interview, 8 August 2019: <https://www.youtube.com/watch?v=cfo-DqYOgGo>.

¹¹ Statistics by SME Corp: <https://www.smeinfo.com.my/profile-of-smes>.

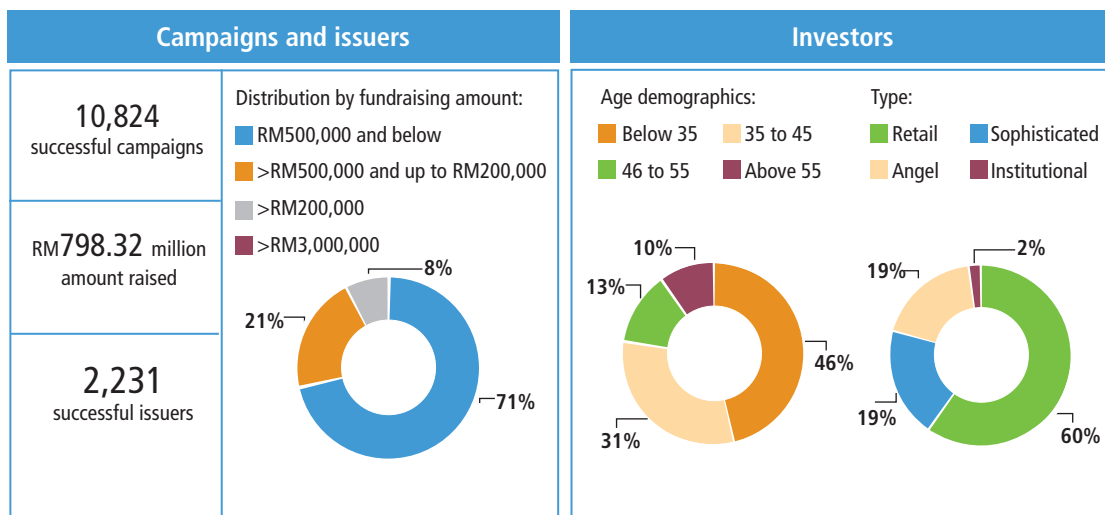
¹² SC Media Release, 16 April 2020: <https://www.sc.com.my/resources/media-releases-and-announcements/sc-announces-series-of-capital-market-measures-to-support-businesses>.

¹³ Paragraph 136, Budget 2019 Speech, 2 November 2018: <https://www.treasury.gov.my/pdf/budget/speech/bs19.pdf>.

ECF KEY STATISTICS (AS AT 30 JUNE 2020)



P2P FINANCING KEY STATISTICS (AS AT 30 JUNE 2020)



Digital Advertising in the Capital Market

Malaysia ranks among the most socially engaged countries in the world where about 81% of the population are active social media users.¹⁴ This is far above the global average social media penetration rate of 49%.¹⁵ As investors spend increasingly more time on digital platforms, there has been significant interest from our capital market intermediaries to also tap these channels to market their products and services. The SC issued the new *Guidelines on Advertising for Capital Market Products and Related Services* on 4 May 2020 to facilitate access to the capital market through the use of digital channels such as social media, messaging applications and video streaming platforms.¹⁶

It allows those who offer capital market services and products to advertise on Twitter, LinkedIn, Instagram, WhatsApp, Facebook and YouTube advertisement banners, among others. The Guidelines also set out what is expected of the parties seeking to utilise digital channels to promote responsible advertising of capital markets products and services with the investors' interests in mind.

Distribution of Capital Market Products via e-Services Platforms

In addition to enable greater flexibilities in adopting digital advertising, the SC also looked to facilitate the distribution of capital market products via popular digital avenues, including e-commerce platforms and e-wallets, through the introduction of the e-Services Platform framework in May 2020.¹⁷ Through this framework, operators of such platforms can partner with Capital Markets Services Licence holders to distribute capital market products to investors, provided that the necessary disclosure and money-handling requirements are met. This will enable the broader distribution of capital market products to a potentially wider audience, which are frequent users of these platforms, thereby providing greater convenience for investors to subscribe to such products.

Interested operators will have to register with the SC as a recognised market operator (RMO). E-wallets or e-payment operators who are currently subject to the oversight of another sectorial regulator will be required to obtain the prior approval from the said regulator before submitting their application to the SC.

“In addition to enable greater flexibilities in adopting digital advertising, the SC also looked to facilitate the distribution of capital market products via popular digital avenues.”



¹⁴ Statista, 25 February 2020: <https://www.statista.com/statistics/883712/malaysia-social-media-penetration/>.

¹⁵ Statista, 14 February 2020: <https://www.statista.com/statistics/269615/social-network-penetration-by-region/>.

¹⁶ SC media release, 4 May 2020: <https://www.sc.com.my/resources/media-releases-and-announcements/sc-issues-new-guidelines-on-advertising-for-capital-market-products-and-services>.

¹⁷ SC media release, 5 May 2020: <https://www.sc.com.my/resources/media-releases-and-announcements/sc-to-facilitate-distribution-of-capital-market-products-via-e-services-platforms>.

Digital Asset-related Developments

Regulatory Framework for Digital Assets

One of the key issues that many jurisdictions have been grappling with is how digital assets such as digital tokens and cryptocurrencies are regulated – what is its legal standing, who should regulate it, how should it be regulated? Would the fact that digital assets and cryptocurrencies not being recognised as legal tender make it illegal for a person to deal in these digital assets or would it simply fall into a legal 'no man's land' and render such activities without legal recourse or protection?

The rise of cryptocurrencies took off when its prices reached stratospheric levels fueling excitement among investors. This issue took on urgency as more and more people wanted to jump onto the bandwagon of cryptocurrencies. Others saw this as an opportunity to tap the market to raise money for their own brand of cryptocurrency through initial coin offerings (ICOs)

As the ICOs started to target the general investing public, promising high returns to the first movers, there were concerns that gullible investors would fall for scams perpetrated by unscrupulous parties. The SC issued various investor alerts to warn the public against such activities and took direct action by issuing cease and desist orders against promoters of ICOs.¹⁸

BNM and the SC worked behind the scenes to co-ordinate the development of a regulatory framework for digital assets to ensure compliance with laws and regulations under the purview of each of the regulator.¹⁹

The issuance of the *Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019* (Prescription Order) on 15 January 2019 marked a major milestone as it provided a framework for the regulation of the offering and trading of digital assets such as cryptocurrencies and tokens. These will require authorisation from the SC and compliance with relevant securities laws and regulations. The Prescription Order also provides guidance as to when a digital token or digital asset will be deemed to be securities for the purposes of securities laws in Malaysia.

Separately, on the judicial front, the first case involving a legal dispute relating to digital currency in Malaysia came before the Sessions Court in 2017. *Luno*, a company that provided online wallet and exchange of cryptocurrencies services, sued its customer for the return of Bitcoins, which it had mistakenly transferred to a customer's account. The court recognised digital assets as a form of commodity whereby real money is used to purchase the cryptocurrency, and thus, the contract could be legally enforced under section 73 of the *Contracts Act 1950*.²⁰ On appeal, the High Court in 2019 affirmed the decision of the Sessions Court and made reference to the SC's Prescription Order to bolster the fact that digital assets would have value in the same way as value is attached to securities.²¹ Hence, even though cryptocurrencies are not recognised as a legal tender in Malaysia, it has been given legal recognition by the courts when used as the underlying subject matter of a contract.

¹⁸ SC issued cease and desist orders against Copycash Foundation in January 2018: <https://www.sc.com.my/resources/media-releases-and-announcements/sc-issues-cease-and-desist-order-to-copycash-foundation> and the promoters of Lavidacoin in September 2018: <https://www.sc.com.my/resources/media-releases-and-announcements/sc-issues-notice-to-cess-all-activities-promoting-lavidacoin>.

¹⁹ Joint press statement by SC and BNM on the regulation of digital assets: <https://www.sc.com.my/resources/media-releases-and-announcements/joint-statement-on-regulation-of-digital-assets-in-malaysia>.

²⁰ *Luno v Robert Ong Thien Cheng* (Sessions Court Civil Suit No. BA-B52NCVC-389-12/2017).

²¹ *Robert Ong Thien Cheng v Luno Pte Ltd & Anor* (Shah Alam High Court Appeal No. 12BNCVC-91-10/2018).

Digital Asset Exchanges

New requirements for electronic platforms that facilitate the trading of digital assets were introduced on 31 January 2019, following the coming into force of the *Digital Assets Prescription Order 2019*. Prior to the introduction of the regulatory framework, the SC had been aware of a significant number of Digital Asset Exchanges (DAXs) operating in our market. Such operators would now have to be registered with the SC before they can operate in Malaysia. Otherwise, they would have to cease their activities and return all monies or digital assets collected from the investors. Operating a DAX without authorisation from the SC is an offence under securities laws and a person in breach may be liable to a fine or imprisonment term or both. To date, there are three registered DAX operators that handle a monthly trading value of approximately RM40 million.

Offering of Digital Tokens

Recognising that digital tokens offering can be used as an alternative fundraising avenue for early stage entrepreneurs with innovative business proposals, the SC introduced the *Guidelines on Digital Assets* on 15 January 2020 that set out the framework for fundraising through digital token offering in Malaysia.²² This initiative supports Malaysia's Shared Prosperity Vision 2030 (SPV2030) by supporting the growth of MSMEs, targeted to contribute 50% to Malaysia's GDP. It also aligned with SPV2030's aspiration to create 30% high technology Malaysian companies.

All offerings of digital tokens are to be carried out through an initial exchange offering (IEO) platform operator that is registered with the SC. In this regard, the IEO platform operator would be required to carry out the necessary assessment and due diligence to, among others, verify the business of the issuer and the fit and properness of the issuer's board, as well as understand the features of the digital tokens.

An issuer may raise funds up to a ceiling of RM100 million and tap on investments from retail, sophisticated as well as angel investors. This is subject to the investment limits provided in the Guidelines. Each issuance must be accompanied by a Whitepaper, which should provide investors with among others, material information on the issuer, digital token and utilisation of funds obtained through the issuer's fundraising exercise. Issuers would also need to demonstrate that the underlying business or project provides an innovative solution or meaningful digital value proposition for Malaysia. After the offering has been successfully completed, the SC will conduct post issuance monitoring of the utilisation of the proceeds.

“All offerings of digital tokens are to be carried out through an initial exchange offering (IEO) platform operator that is registered with the SC.”



²² SC Media Release, 15 January 2020: <https://www.sc.com.my/resources/media-releases-and-announcements/sc-publishes-guidelines-on-digital-assets>.

STOP PRESS

Recognition of Digital Assets by Shariah Advisory Council

The SC's Shariah Advisory Council (SAC) had issued a resolution after its meetings on 29 June and 20 July 2020, recognising digital assets regulated by the SC. These digital assets comprising digital currencies and digital tokens have to fulfil the Shariah requirements detailed in the resolution.

The SAC has also resolved that investment and trading of digital assets that fulfil the Shariah requirements and trade on DAX's registered with the SC are permissible.

Details of the SAC resolution can be found via the SC's website: www.sc.com.my.²³

Conclusion

The advent of the digital revolution is an inevitable development in all sectors of the economy including the capital market. The COVID-19 pandemic has only necessitated and accelerated the adoption of digital technologies in all aspects of our lives as we grapple with the 'new normal'. We are observing signs that early adopters of digital have been able to take advantage and thrive even during the implementation of the MCO period.

The SC remains firmly committed to implement its Digital Agenda for the Malaysian Capital Market, in order to meet the evolving needs of issuers, investors and other participants within our market. We believe that this agenda can help facilitate new business models and opportunities as well as unlock greater efficiencies to benefit the market as a whole. While the adoption of digital does not come without its risks, we strongly encourage our intermediaries and market participants to explore their own digitalisation journey and how their businesses and operations can benefit from this.

For issuers and investors, the advent of digitalisation has provided an even wider plethora of options to access the capital market for financing and investments, some of which were highlighted earlier. We urge you to explore these new options to discover, which best suits your individual needs, and would like to remind you to only undertake such activities through regulated channels.

²³ <https://www.sc.com.my/development/islamic-capital-market/resolutions-of-the-sc-shariah-advisory-council>.

Message to Intermediaries

1. Firms need to undertake the journey of digital transformation or face the possibility of extinction in the digital economy. This will enable them to access the global digital playing field, where new opportunities abound.
2. Boards should make strategic decisions and appropriate investments in employing technology to innovate and digitalise their businesses. This includes digitalising their operations as well as leveraging RegTech to fulfill compliance obligations to provide a full suite of digital services for their clients.
3. In embracing technology, boards of intermediaries also need to put in place a data governance policy that covers the entire data life cycle, covering all data in all aspects of the entity, including internal control processes and ensure that their customers' data are not abused or misused.
4. Be open to partner and look for outside solutions, and mutually beneficial collaborations with allies and competitors alike.
5. Intermediaries should help their employees adapt, upskill, and reskill themselves with new knowledge and perspectives to fit into the digital economy.
6. As intermediaries go digital, cybersecurity should be a paramount consideration for intermediaries when formulating their risk management framework.

Message to Investors and Issuers

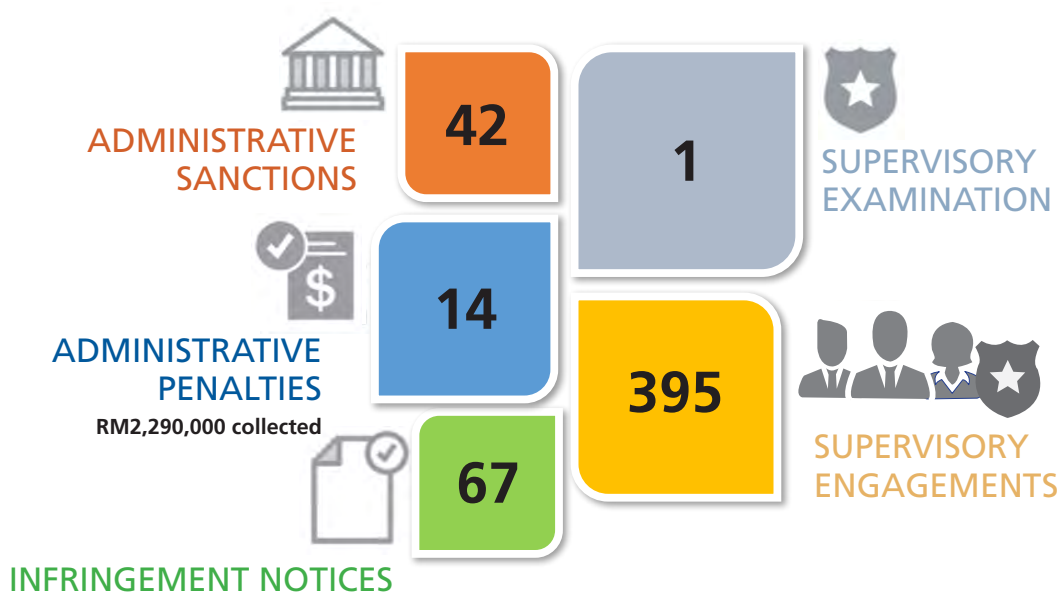
1. Issuers and investors alike need to ensure that they are dealing with a legitimate digital platform operator registered with the SC. An up-to-date list is published on the SC website at: <https://www.sc.com.my/development/digital/list-of-registered-recognized-market-operators>.
2. When dealing with those offering capital market services, always verify that these persons are authorised by the SC. You can view the list of licensed intermediaries and representatives at: <https://www.sc.com.my/regulation/licensing/licensed-and-registered-persons>.
3. The rules for investing in digital assets are similar to investing in any financial products. Make sure you understand the products and risks associated with the said products or investments. Resources for investors can be found at the InvestSmart® website: <https://www.investsmartsc.my/>.
4. With the proliferation of scams in recent times, investors need to be alert and extra careful before putting your monies into any investments promoted via social media or Whatsapp messaging. The SC maintains an alert list of unauthorised websites: <https://www.sc.com.my/regulation/enforcement/investor-alerts/sc-investor-alerts/investor-alert-list>.
5. If you spot a scam or have been a victim, you can lodge a complaint with the SC Consumer and Investor Office. Contact (603) 6204 8999 or email: aduan@seccom.com.my.
6. If you have any monetary disputes arising with a licensed intermediary, which cannot be resolved at the intermediary level, you may refer the matter to the Securities Industry Dispute Resolution Center (SIDREC) if your claim does not exceed RM250,000: <https://sidrec.com.my/>.


Summary of Enforcement Activities and Outcomes

 Reporting period: 1 July 2019 – 30 June 2020



Summary of Administrative and Supervision Actions





Criminal Prosecutions and Outcomes, Civil Enforcement and Regulatory Settlements

Introduction

Under the securities laws, the SC is equipped with various enforcement tools, which includes criminal, criminal prosecution, civil enforcement, compound and imposition of administrative sanctions. In considering which enforcement tool to use in order to achieve the desired outcomes, the SC takes into consideration factors such as the seriousness of the offence as well as the availability of the evidence.

From 1 July 2019 to 30 June 2020, the SC initiated criminal and civil enforcement actions against individuals involved in a wide range of securities laws breaches such as insider trading, securities fraud as well as false disclosures to Bursa Malaysia Securities Bhd (Bursa Malaysia) and the SC.

For the period under review, the SC prosecuted four individuals with a total of 15 charges and had instituted 16 civil actions for breaches of the securities laws.

The SC was also able to secure convictions against four individuals for insider trading, one individual for furnishing a false statement to Bursa Malaysia, one individual for furnishing false information to the SC as well as one individual for securities fraud. Additionally, the SC also entered into 25 regulatory settlements as well as compounded one individual for securities fraud.

Outcomes of Criminal Prosecutions and Appeals

No.	Nature of Offence	Offender(s)	Outcome
1.	Submitting false information in relation to Linear Corp Bhd to Bursa Malaysia. [Section 369(b)(B) of the CMSA]	Alan Rajendram Jeya Rajendram (Alan)	<ul style="list-style-type: none"> Alan pleaded guilty and was sentenced to 7 months' jail and a fine of RM100,000 (in default 6 months' jail).
2.	<ul style="list-style-type: none"> Insider trading in the shares of Three-A Resources Bhd (Three A). [Section 188(2)(a) of the CMSA] Abetment in insider trading in the shares of Three A. [Section 370(c) of the CMSA read together with section 188(2)(a) CMSA] Communicating inside information [Section 188(3)(a) of the CMSA] 	<ul style="list-style-type: none"> Fong Chiew Hean (Fong CH) Tan Bee Geok (Tan BG) Fang Chew Ham (Fang CH) 	<ul style="list-style-type: none"> Fong CH pleaded guilty and was sentenced to 1-day in jail and fined RM1 million, in default 1 year's jail. Tan BG pleaded guilty and was sentenced to 1-day imprisonment and a fine of RM1 million. Fang CH pleaded guilty and was sentenced to 1-day imprisonment and a fine of RM1 million.
3.	Insider trading in the shares of Malaysian Merchant Marine Bhd (MMM). [Section 188(2)(a) of the CMSA]	Datuk Ramesh Rajaratnam (Datuk Ramesh)	<ul style="list-style-type: none"> Datuk Ramesh was found guilty and was sentenced to 5 years' imprisonment and fined RM9 million by the Sessions Court.
4.	Submitting false information in relation to Kiara Emas Asia Industries Bhd to the SC. [Section 32B (1)(c)(aa) of the SCA 1993]	Tan Kam Sang (Tan KS)	<ul style="list-style-type: none"> Tan KS was found guilty and was sentenced to a fine of RM450,000, in default, 3 years' imprisonment.
5.	Securities fraud. [Section 179(b) of the CMSA]	Afkariah Md Norani (Afkariah)	<ul style="list-style-type: none"> Afkariah pleaded guilty and was sentenced to 6 months' imprisonment with RM1 million fine, in default 1-month imprisonment, for each charge. Jail terms to run concurrently.

A detailed excerpt of the above cases can be found at:

<https://www.sc.com.my/regulation/enforcement/actions/criminal-prosecution/updates-on-criminal-prosecution-in-2019>
<https://www.sc.com.my/regulation/enforcement/actions/criminal-prosecution/updates-on-criminal-prosecution-in-2020>

Regulatory Settlements

In accordance to the SC's civil enforcement powers, it initiates civil suits at the High Court for breaches of securities laws offences. If the parties being sued by the SC wish to resolve the matter before filing such action in the civil courts, then the parties would enter into regulatory settlement agreements with the SC, which would involve the payment of disgorged amounts. Essentially these are out of courts settlements, which monies would be paid by the parties sued by the SC and utilised primarily to restitute the investors. Other terms in the regulatory settlement agreement may include the removal of PLCs directorships and the prohibition of trading shares in Bursa Malaysia, among others.

No.	Offence	Offender(s)	Settlement
1.	Insider trading in the shares of EON Capital Bhd (EONCAP).	Ong Saw Peng (Ong SP)	<ul style="list-style-type: none"> Ong SP entered into a settlement in the sum of RM1,546,300.59
2.	<ul style="list-style-type: none"> Insider trading in the shares of DIS Technology Holdings Bhd (DIS Tech). Communicating the inside information pertaining to the financial misstatement of the quarterly reports of DIS Tech to one Law Cheng Tiang (Law CT) and one Lee Weng Wai (Lee WW). Procuring Law CT and Lee WW to dispose the DIS Tech shares. 	<ul style="list-style-type: none"> Lim Eu Keong (Lim EK) Law Cheng Tiang (Law CT) Lee Weng Wai (Lee WW) 	<ul style="list-style-type: none"> Lim EK entered into a settlement in the sum of RM171,369.00. Lee WW entered into a settlement in the sum of RM83,700. Law CT entered into a settlement in the sum of RM87,669.
3.	Insider trading in the shares of Putrajaya Perdana Bhd (PPB).	<ul style="list-style-type: none"> Dato' Seri Tham Ka Hon (Dato' Seri Tham) Loo Soo Loong (Loo SL) Chu Yoke Fong (Chu YF) 	<ul style="list-style-type: none"> Dato' Seri Tham entered into a settlement in the sum of RM4,180,309.80. Loo SL entered into a settlement in the sum of RM2,106,257.20. Chu YF entered into a settlement in the sum of RM1,393,436.60.

No.	Offence	Offender(s)	Settlement
4.	Insider trading in the shares of DXN Holdings Bhd (DXN).	<ul style="list-style-type: none"> • Soon Boon Hong (Soon BH) • Cheah Yau Cheong (Cheah YC) • Lee Kean Wei (Kean Wei) • Yap Soon Leong (Soon Leong) • Yap Maow Jun (Maow Jun) • Tan Young Tat (Tan YT) 	<ul style="list-style-type: none"> • Soon BH entered into a settlement in the sum of RM413,151.51 • Cheah YC entered into a settlement in the sum of RM574,145.25. • Kean Wei, Soon Leong and Maow Jun entered into a settlement in the sum of RM740,712.00. • Tan YT entered into a settlement in the sum of RM2,429,408.04.
5.	Manipulation of Reliance Pacific Bhd (RPB) in creating a false and misleading appearance of active trading in RPB shares.	<ul style="list-style-type: none"> • Lim Beng Guan (Beng Guan) • Dato' Gan Eng Kwong (Dato' Gan) • Datin Irene Tan (Datin Irene) • Gricia Gan Mei Hoong (Gricia) • Thong Swe Chong (Thong SW) • Yong Yoke Leng (Yong YL) • Chan Chong Cheat @ Chan Chong Kiat (Chan CK) • Chong Swee Choon (Chong SC) • Lok Wen Huei (Lok WH) • Lee Pok Mun (Pok Mun) 	<ul style="list-style-type: none"> • Beng Guan entered into a settlement in the sum of RM150,000.00. • Dato' Gan, Datin Irene, Gricia, Thong SW, Yong YL, Chan CK, Chong SC, Lok WH and Pok Mun entered into settlements in the sum of RM6,214,872.79.
6.	Insider trading in the shares of HPI Resources Bhd (HPI).	<ul style="list-style-type: none"> • Dato' Albert Chan Chor Ngiak (Dato' Albert) • Tan Chuan Hock (Chuan Hock) 	<ul style="list-style-type: none"> • Dato' Albert entered into a settlement in the sum of RM182,610.00. • Chuan Hock entered into a settlement in the sum of RM1,250,995.50.

Outcomes of Civil Enforcement Actions

In the SC's civil suits, there are occasions where the defendants wish to resolve the dispute before a full trial by conceding to the SC's claim. This can be done by entering into a consent judgment, which will be acknowledged and approved by the Court.

No.	Breach	Defendants	Outcome
1.	Insider trading in the shares of Hirotako Holdings Bhd.	<ul style="list-style-type: none"> Ng Ee-Fang (Ng EF) Tan Giap How (Tan GH) 	<p>In August 2019, the High Court recorded a consent judgment between the SC and Ng EF ordered among others:</p> <ul style="list-style-type: none"> payment of RM578,640.00; civil penalty of RM750,000.00; restrained from any involvement or dealings in any securities on the stock market in Malaysia for a period of 5 years from the date of the consent judgment. <p>In March 2020, the High Court recorded a consent judgment between the SC and Tan GH and ordered among others:</p> <ul style="list-style-type: none"> pays to the SC, a sum of RM689,460.00; pays to the SC, a civil penalty of RM200,000.00; restrained from any involvement or dealings in any securities on the stock market in Malaysia for a period of 5 years from the date of the consent judgment; and barred from holding a directorship in a PLC for a period of 5 years from the date of the consent judgement.
2.	Insider trading in the shares of TH Group Bhd.	<ul style="list-style-type: none"> Ang Pok Hong (Ang PH) Wendy Wong Soon Soon (Wendy) 	<p>In September 2019, Ang PH and Wendy entered into a consent judgment with the SC for the sum of RM2,190,729.</p>

No.	Breach	Defendants	Outcome
3.	<ul style="list-style-type: none"> • Use of manipulative and deceptive devices. • Causing wrongful loss to Stone Master Corp Bhd (Stone Master). • Attempt, abetment and conspiracy. 	Datin Chan Chui Mei (Datin Chan)	<p>In December 2019, Datin Chan was ordered to:</p> <ul style="list-style-type: none"> • pay the SC, a sum of RM11.54 million, to be held in trust for Stone Master; • pay a RM1 million civil penalty; and • be barred from being a director of a PLC for 5 years.

A detailed excerpt of the above cases can be found at:

<https://www.sc.com.my/regulation/enforcement/actions/civil-actions-and-regulatory-settlements/civil-action-in-2019>

<https://www.sc.com.my/regulation/enforcement/actions/civil-actions-and-regulatory-settlements/civil-action-in-2020>

The details of the regulatory settlement can be found at:

<https://www.sc.com.my/regulation/enforcement/actions/civil-actions-and-regulatory-settlements/regulatory-settlements-in-2019>

<https://www.sc.com.my/regulation/enforcement/actions/civil-actions-and-regulatory-settlements/regulatory-settlements-in-2020>

Administrative Actions and Supervisory Engagements

Administrative Actions

From 1 July 2019 to 30 June 2020, the SC imposed 42 administrative sanctions presented in the table below.

Administrative actions from 1 July 2019 to 30 June 2020 by types of sanction and parties in breach

Parties in breach	Types of sanction				
Licensed persons	Directive	Reprimand	*Penalty	Supervision/ revocation of licence	Public Statement
Licensed entities	4	2	1	1	-
Licensed individuals	-	1	-	-	-
Directors of PLC	-	10	5	-	-
PLC	-		2	-	-
Other entities	-	4	-	-	-
Other individuals	-	6	6	-	-
TOTAL	4	23	14	1	-

* A total of RM2,290,000 penalties were imposed.

Penalties imposed from 1 July 2019 to 30 June 2020

Party in breach	Amount (RM)
TA Investment Management Bhd	1,000.00
Dato' Haji Ramly Haji Zahari	448,000.00
Teo Cern Yong	448,000.00
Yeoh Jin Hoe	364,000.00
Daniel Yong Chen-I	500,000.00
UOB Asset Management (Malaysia) Bhd	1,000.00
Affin Hwang Asset Management Bhd	10,000.00
Tan Sri Chua Ma Yu	400,000.00
Lean Siew See	54,000.00
Hawang Kim Lin	54,000.00
Wong Shin Yih	5,000.00
Teh Bee Lee	5,000.00
TOTAL	2,290,000.00

All dealings in regard to deposited securities shall only be effected by the beneficial owners

Section 25(4) *Securities Industry (Central Depositories) Act 1991* (SICDA) requires that every securities account opened with a central depository shall be in the name of the beneficial owner of the deposited securities or in the name of an authorised nominee. The SC would like to issue a reminder that all dealings in respect of deposited securities shall only be effected by the beneficial owners of such deposited securities or an authorised nominee only, as the case may be as required under sections 25(4) and 29A of the SICDA.

Breach	Person Sanctioned	Outcome
Engaging in trading activities in relation to deposited securities belonging to another beneficial owner.	<ul style="list-style-type: none"> Tan Sri Dato' Chua Ma Yu (Tan Sri Chua) Hawang Kim Lian (Hawang KL) Lean Siew See (Lean SS) 	<p>The SC found that trading activities by Hawang KL and Lean SS was made for Tan Sri Chua who was the beneficial owner of the shares.</p> <p>The SC issued reprimands and imposed the following penalties:</p> <ul style="list-style-type: none"> Tan Sri Chua – RM400,000; Hawang KL – RM54,000; and Lean SS – RM54,000.
Allowing persons who are not the beneficial owners of their Central Depository System accounts to effect trades in the shares of a PLC.	<ul style="list-style-type: none"> Wong Shin Yih (Wong SY) Teh Bee Lee (Teh BL) 	<p>The SC issued reprimands and imposed the following penalties:</p> <ul style="list-style-type: none"> Wong SY – RM5,000; and Teh BL – RM5,000.

Consistent accuracy of information submitted to the SC or exchange

Accurate and up-to-date information is paramount in the capital market as its reliability affects market confidence. Hence, the securities laws make it an offence to submit false and misleading information to the SC or the exchange. This includes the content of financial statements and other information reported to them.

Breach	Person Sanctioned	Outcome
<p>Xingquan International Sports Holdings Ltd (Xinquan) furnished false or misleading statements and accounts to the SC or Bursa Malaysia:</p> <ul style="list-style-type: none">Record of loss from sale of inventory by PLC subsidiary;Agreement between PLC's subsidiary and third party;Recording of cash balances and bank accounts; andFinancial statements.	<ul style="list-style-type: none">Dato' Haji Ramly Haji Zahari (Dato Ramly); andTeo Cern Yong (Teo CY). <p>Note: As Dato Ramly was the former independent non-executive director and Teo CY the former Chief Financial Officer of Xinquan during the material time, both were deemed to have committed the breach pursuant to section 367 of CMSA.</p>	<p>The SC issued reprimands and imposed the following penalties:</p> <ul style="list-style-type: none">Dato' Ramly – RM448,000; andTeo CY – RM448,000.

Reinforcing requirements of the AML Guidelines

The SC makes a continuous effort to ensure that key industry players observe and comply with the rules and regulations of *Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries* (AML Guidelines) when dealing with investors and clients. Apart from the SC ongoing examinations and assessments conducted on our regulatees all year round, it holds industry briefings, issues letters to CEOs and press releases to express the SC's concerns and expectations.

However, as observed during this period, four Capital Market Services Licence (CMSL) holders in dealing in securities and advising on corporate finance and investment advice were found to be in breach of the said AML Guidelines.

In this regard, the SC would like to remind CMSL holders that they are expected to strictly observe the requirements of the AML Guidelines to ensure investors are protected from harm and cost at all times.

Breach	Person sanctioned	Outcome
<ul style="list-style-type: none"> Failure to clarify purpose of transaction or business relationship in relation to unusual cash deposits of its clients; Failure to lodge a Suspicious Transaction Report (STR) on the unusual cash deposits; and Failure to conduct ongoing due diligence and scrutiny of the identities and investment objectives of clients who made applications to increase their trading limits. 	PM Securities Sdn Bhd	The SC issued reprimands for the breaches.
<ul style="list-style-type: none"> Failure to obtain satisfactory evidence on the identity of a person who purportedly acted as the authorised representative of 25 clients (25 Clients) when there were no discernible relationships between the parties; and Failure to clarify the purpose of the business relationships between the 25 Clients and the purported authorised representative. 	Mercury Securities Sdn Bhd	The SC issued a reprimand for the breaches.
<ul style="list-style-type: none"> Failure to conduct ongoing due diligence and scrutiny on AXD System Global Sdn Bhd throughout the course of the business relationship; Failure to detect suspicious transactions and immediately lodge a STR. 	CIMB Investment Bank Bhd	<p>The SC issued:</p> <ul style="list-style-type: none"> a reprimand for the breaches; and direction to allocate not less than RM80,000.00 for staff training to ensure operational effectiveness of AML/CFT requirements.

Breach	Person sanctioned	Outcome
<ul style="list-style-type: none"> Failure to conduct ongoing due diligence and scrutiny of AXD System Global Sdn Bhd; Failure to have in place an adequate monitoring system to flag out transactions that raise AML/CFT and detect suspicious transactions; and Failure to enhance Policies and Procedures on Regional Anti-Money Laundering/ Counter Financing of Terrorism to incorporate the requirements of the SC's AML Guidelines issued on 15 January 2014. 	Maybank Investment Bank Bhd	<p>The SC issued:</p> <ul style="list-style-type: none"> a reprimand for the breaches; and direction to allocate not less than RM220,000.00 monitoring system and control measures to detect red flags from client's deposits, and for staff training and capacity building.

Operating a recognised market requires the SC's authorisation

The SC requires all RMO such as digital asset exchanges (DAX), ECF and P2P operators to be registered under section 34 of the CMSA before it can operate. Failure to do so will make them illegal operators, which the SC would not hesitate to take action against them.

Investors are encouraged to verify the legitimacy of platform operators before participating in any investment activities by referring to the SC's website: <https://www.sc.com.my/development/digital/list-of-registered-recognized-market-operators>.

Breach	Person sanctioned	Outcome
<ul style="list-style-type: none"> Operating a P2P platform without the SC's authorisation 	<ul style="list-style-type: none"> LendingStar Sdn Bhd Viacheslav Artomonov Siti Nurbaya Mansor 	The SC issued reprimands for the breaches.

Details of the administrative actions can be found at:

<https://www.sc.com.my/regulation/enforcement/actions/administrative-actions/administrative-actions-in-2019>

<https://www.sc.com.my/regulation/enforcement/actions/administrative-actions/administrative-actions-in-2020>

INFRINGEMENT NOTICES

During this period, the SC issued 76 Infringement Notices in relation to, among others:

- (a) non-compliances with approved accounting standards;
- (b) non-compliances with licensing conditions;
- (c) weaknesses in compliance, risk and audit functions; and
- (d) weaknesses in the process and procedures for the prevention of anti-money laundering and countering financing of terrorism.

Infringement Notices Issued from 1 July 2019 to 30 June 2020

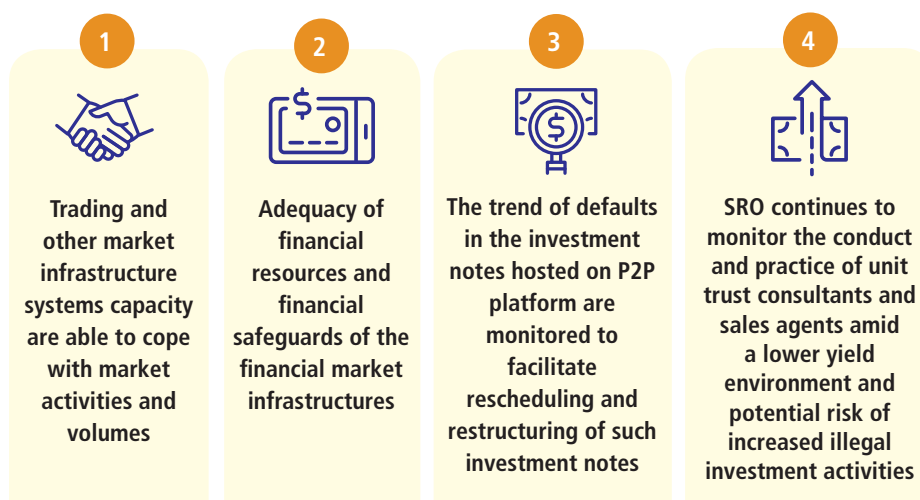
Types of Infringement Notices	July 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mac 2020	Apr 2020	May 2020	June 2020
Supervisory Letter	-	-	3	1	-	9	1	2	3	-	1	5
Warning Letter	2	3	-	1	-	3	1	-	-	-	1	2
Non-Compliance Letter	-	5	5	2	-	5	-	-	-	-	-	-
Cease and Desist Letter	19	-	-	1	-	1	-	-	-	-	-	-
TOTAL	21	8	8	5	-	18	2	2	3	-	2	7

SUPERVISORY EXAMINATIONS AND ENGAGEMENTS

The SC leverages on supervisory engagements to ensure that policies and rules governing markets, governance and risk management practices and regulatory duties of market institutions and self-regulatory organisations are aligned to its regulatory objectives and expectations. The first quarter of 2020 was particularly challenging due to the outbreak of COVID-19 and the government's imposition of the MCO. During the MCO, SC continued engaging the intermediaries and market institutions via digital platforms.

The SC also heightened its monitoring over regulated entities given market volatility and impact of COVID-19 to businesses and market institutions. Greater supervisory focus was directed to ensure regulated entities are able to function effectively under the work from home or split operations environment.

Significant focus was placed on:



In carrying out the SC's gatekeeping function, active engagements and consultations with CMSL holders were held to communicate the SC's regulatory expectations to new entrants and existing players in the market, and to keep pace with market changes.

Number of Supervisory Examinations and Engagements conducted by the SC from 1 July 2019 to 30 June 2020

Entity	Number of examinations conducted	Number of engagements conducted
Bursa Malaysia	-	38
FIMM / PPA	1	7
RMO	-	74
Investment Banks	-	21
IUTA Banks	-	2
FMCs / UTMCS / REITs	-	113
Financial Planners	-	2
SBC and DBC	-	37
BPA	-	1
CMSLs	-	121
PLCs	-	6
Auditors	-	3

FOR MORE INFORMATION

www.sc.com.my

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