PART 3
STRENGTHENING THE SUSTAINABILITY AND COMPETITIVENESS OF THE CAPITAL MARKET

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INTRODUCTION

Efficient capital formation and mobilisation continue to be important drivers in strengthening the sustainability and competitiveness of the Malaysian capital market. Aligned with these objectives, the SC undertook various developmental initiatives spanning both the alternative and traditional markets. These initiatives are specifically geared towards facilitating greater fundraising avenues, especially for MSMEs and mid-tier companies (MTCs) and strengthening the overall investment ecosystem. Key initiatives entailed forming partnerships with other government agencies, introducing innovative financial products and services, integrating new players into the market ecosystem and developing relevant talent pipeline.

In addition, the SC continued to drive the sustainability and corporate governance agenda, broaden and deepen the ICM as well as strengthen the fund management industry. The SC also strives to foster competitive markets and embrace innovation for greater growth. Globally, the SC aims to elevate the international profile of the Malaysian capital market and its regulatory framework.

FORTIFYING FUNDING AND INVESTMENT ECOSYSTEM FOR CONTINUED GROWTH

Aligned with evolving market needs and digital advancements, the capital market continued to expand its role in financing business ventures, creating jobs, widening ownership of assets and generating returns on long-term savings. In this aspect, the SC has facilitated various measures through provision of innovative capital market solutions and collaborative endeavours with a broad spectrum of stakeholders and pivotal institutions.

Strengthening MSME and MTC Access to Capital Market Financing

SC-SME Corp Collaboration

The SC entered into a MOU with the SME Corp to catalyse MSME access to capital market financing. SME Corp is the central co-ordinating agency under the Ministry of Entrepreneur and Cooperatives Development that co-ordinates the implementation of development programmes for MSMEs across all related ministries and agencies.

The MOU, which builds upon the common priorities of the SC and SME Corp, aligns with the SC's vision to foster a vibrant and resilient capital market that is inclusive and able to cater to the different financing needs of MSMEs. It also signifies the commitment of the SC and SME Corp in supporting the expansion and resilience of MSMEs, with the MSME segment being a key engine for economic growth.

The three-year collaboration between the SC and SME Corp aims to create about 200 capital market-ready MSMEs by 2026 and to familiarise about 300 MSMEs with sustainability disclosures and corporate governance best practices.

Key objectives under this collaborative framework include:

- Strengthening financing inclusivity through joint initiatives to increase MSME financing access to capital market solutions. This will include enhancing MSME capital market-readiness through capacity building and networking programmes.
- Facilitating MSME ESG and sustainability transition by building their familiarity with sustainability disclosures and corporate governance best practices. The initiatives include capacity building on *Simplified ESG Disclosure Guide* (SEDG) for SMEs, which was released in October 2023.
- Strengthening of both parties' market insights and data on MSME capital market access by sharing information and analytics. Initiatives in this area include MSME capital market studies and consultations on MSME capital market policies and initiatives.
- Expanding capital market funding pool for MSMEs by developing co-ordinated strategic investments and initiatives. These include supporting stock listings or fundraising via alternative financing platforms in Malaysia.

Mobilising Capital Market Financing Under NIMP 2030

Capital market financing and tools were featured prominently in the Ministry of Investment, Trade and Industry's (MITI) *New Industrial Master Plan* (NIMP) 2030. The private sector, including the financial and capital markets, is expected to provide the bulk of NIMP's estimated total investment of RM95 billion.

The SC provided inputs for the *Financing and Push for Net Zero* chapters in the NIMP 2030 in terms of avenues to mobilise capital market financing for MSMEs and MTCs in the manufacturing and manufacturing-related services industries.

Mobilising Capital to Finance MSMEs and Mid-Tier Companies via ECF and P2P Financing to Drive Economic Growth

In tandem with the *Ekonomi MADANI's* objective to promote greater economic growth, inclusion and sustainability, the ECF and P2P financing markets continue to facilitate financing for more than 15,000 businesses in Malaysia, surpassing RM6 billion since inception. In 2023, the overall amount raised grew by 29% from 2022, reaching an all-time high despite heightened economic uncertainty.

The market also witnessed an increase in the contribution of Shariah-compliant ECF and P2P financing to the total funds raised in 2023, accounting for 24% compared to 8% in 2022. The total funds raised through Shariah-compliant financing in both markets grew significantly in 2023 to RM524.8 million (2022: RM140.8 million), primarily attributed to the substantial increase in funds raised through the P2P financing market.

Owing to the digital nature of these alternative financing channels, businesses situated beyond the Klang Valley have increasingly leveraged ECF and P2P financing for their financial needs. In 2023, businesses outside the Klang Valley have successfully secured over RM811.6 million, constituting 37% of total funds raised, a notable increase from RM471.5 million in 2022. The growth, driven by robust issuances on P2P financing platforms, signals a promising trend in broadening economic opportunities nationwide.

While overall investor participation in terms of volume is slightly lower in 2023 compared to 2022, the SC saw increasing participation of institutional investors in ECF and P2P financing markets. Notably, despite being a smaller segment, institutions have invested nearly RM1.3 billion into ECF and P2P financing campaigns, comprising 57% of total funds raised in 2023.

As part of continual evolution of the alternative financing market, efforts in 2023 have been focused on its expansion to new market segments and greater investor participation.

Expanding market segment for alternative financing

- Growing Islamic alternative financing market

Islamic ECF and P2P financing markets as an emerging asset class is gaining significant traction. Characterised by its adherence to Islamic principles, ethical and socially responsible investing, this Shariah-compliant asset class appeals to a diverse range of investors.

In efforts to spur the growth of the capital market and help support the country's economic recovery, the SC opened registration for new ECF and P2P market operators with Shariah solutions and value proposition late in 2022. The initiatives mentioned move towards a 'liberalisation of the capital market' to allow MSMEs and MTCs to have better access to funding to grow their businesses. Since the announcement, the SC has approved two new ECF platform operators that focused on Shariah-compliant value propositions. This is in addition to the nine existing ECF and P2P market operators, providing conventional and Shariah-compliant alternative financing solutions.

- Expanding P2P financing for mid-tier companies

While Malaysia has a developed bond market, it remains largely confined to serve large issuers and institutional investors. In contrast, MTCs which have a sizeable contribution to Malaysia's GDP have been primarily self-reliant in financing their business growth especially if they have outgrown existing financing avenues for MSMEs but are still too small for the traditional public market.

In line with this, the SC has allowed the registration of new P2P financing platforms to offer debt-based financing for MTCs as compared to existing P2P operators who are predominantly serving the financing needs of MSMEs. To be eligible for this new registration, interested applicants must demonstrate their ability to facilitate larger issuances (of no less than RM5 million) and long-term financing (of over 12 months).

The new registration has attracted positive interests from potential market operators, with one new P2P-MTC operator being registered by the SC.

SCxSC GROW: Expanding Alternative Financing for the Food Security Agenda

SCxSC GROW is a new collaborative programme under the SC's fintech flagship initiative 'Synergistic Collaboration by the SC' (SCxSC). The SCxSC GROW embodies a collaborative effort with ecosystem partners to harness the potential of alternative financing digital platforms to meet the needs of MSMEs in strategic sectors.

The year 2023 marks the inaugural edition of the SCxSC GROW initiative, focusing on the crucial agricultural sector. Despite its economic significance, many agri-based MSMEs encounter hurdles in financing for growth and sustainability. This funding gap directly affects food security since these enterprises are fundamental contributors to the food supply chain. The first edition of SCxSC GROW endeavours to enable agricultural expansion through inclusive and innovative financing, recognising food security as a shared responsibility.

Alternative financing avenues such as ECF and P2P financing can play a key role in this respect. This form of financing democratises access to financing through innovative credit assessment and bespoke financing instruments, offering crucial support to early-stage, small-holder agribusinesses and agripreneurs striving to modernise agriculture. Since its inception, ECF and P2P financing have notably supported over 2,000 agri-related MSMEs across the entire value chain – spanning upstream, mid-stream, and downstream sectors with raising over RM800 million.

SCxSC GROW | Four Main Objectives

GROW
Grow, nurture and revitalise targeted segments

REACH
Reach out to wider pool of MSMEs, ecosystem players and relevant stakeholders by enhancing awereness

OPEN
Open and explore opportunities for further innovation and competition to better serve targeted segments

WIDEN
Widen the pool of investor base to cater to different needs of specific targeted segments

Key milestones achieved in 2023

Quarter 1

Series of SCxSC GROW collaborative interactions and dialogues with essential stakeholders and innovators locally and globally.

- Garnered greater awareness on ECF and P2P financing.
- Identified key challenges and ideas to expand ECF/P2P financing for agri-sector.

Quarter 2

SCxSC GROW Fintech Conference on 31 May 2023 attracted a total of 800 physical attendees and 1,000 virtual attendees.

- Shed light on fintech and AgTech trends while fostering discussions and collaborations that has the potential to finance, build and implement new technologies or financial products tailored to the agricultural sector's specific needs.
- Kicked off focus on food security.

Quarter 3

1st Nationwide SCxSC GROW Workshop with Ministry of Agriculture and Food Security of Malaysia (KPKM) on 24 August 2023
> 60 participants from KPKM including *Lembaga Pertubuhan Peladang*, Department of Agriculture, *Jabatan Perikanan Malaysia*, Federal Agricultural Marketing Authority.

- Deeper dive into ECF/P2P financing with agri-related agencies.

Quarter 4

1st SCxSC GROW & Bioeconomy Corp. Joint Workshop on 4 October 2023.

Enabling a conducive tax environment to encourage greater investor participation in the ECF market

As part of efforts to encourage greater investments into ECF by individuals, the government had announced in Budget 2021 that individual investors be given an income tax exemption, subject to the following:

- Investment must be made through ECF platforms from 2021 to 2023;
- Exempted amount is equivalent to 50% of investments made, capped at RM50,000 for each year of assessment (YA);
- Exempted amount is limited to 10% of aggregate income for each YA;
- Investment is not allowed to be disposed of within two years from the date of investment; and
- The investor, investee company and amount of investment must be verified by the SC.

To provide greater clarity in respect of the income tax exemption requirements and to facilitate applications by eligible ECF investors for the tax exemption, the SC revised the *Guidelines of Recognized Markets* (RMO Guidelines) on 19 April 2023. It sets out the requirements which must be fulfilled by the individual ECF investor for purposes of applying for the ECF tax exemption, as specified in the *Income Tax (Exemption) (No. 4) Order 2022*.

The revised guidelines will enhance ECF investors' understanding of the requirements relating to application of the tax exemption, while ensuring the attractiveness of the ECF industry.

Shoring up confidence in alternative financing market via Malaysia Co-investment Fund

MyCIF, a Malaysian government initiative established as part of the 2019 Budget, has fostered the growth and inclusiveness of alternative financing via ECF and P2P financing.

"*It seeks to serve as an efficient and transparent means to channel government funds to the intended recipients while catalysing financing access for MSMEs. It also aims to crowd in private investments into these platforms.*" said Datuk Johan Mahmood Merican, Secretary General of Treasury and Steering Committee Member of MyCIF.

With aggregate disbursement of RM250 million since its inception, the initiative has co-invested a total of RM930 million across 54,695 ECF and P2P financing campaigns as of December 2023, complemented by private investors contribution amounting to RM3.82 billion since the establishment of MyCIF.

In 2023, MyCIF expanded its special initiative towards promoting sustainability development agenda by extending the 1:2 special co-investment ratio to selected ESG segments alongside the existing initiative for agriculture sector, recognising the pivotal role in local economic growth.

MyCIF's public-private co-investment model is the first of its kind in the region. This underscores the government's commitment in shaping better financing access for MSMEs.

BROADENING AND DEEPENING THE ICM

The SC remains committed to chart its strategic direction to expand its reach and value proposition, aiming to propel a more inclusive and broader ICM. In these efforts, the SC is dedicated to facilitate a more diversified Shariah-compliant offerings, amplifying its societal and environmental impact in line with sustainability principles, and strengthening the landscape of Islamic social finance. This is aligned with the SC *Capital Market Masterplan 3* (CMP3) where ICM is further leveraged to widen its reach to broader stakeholders of the economy.

The SC will continue to undertake initiatives focusing on Shariah governance in various phases, to facilitate the orderly development in shaping the ICM landscape, while enhancing the country's global standing position in Islamic finance.

Harnessing the Potential of Waqf

The SC recognises the transformative potential of *waqf* in addressing critical socio-economic challenges such as poverty, unemployment, and inadequate funding for essential sectors like healthcare, education, and infrastructure. As such, the SC has actively sought to tap into the potential of *waqf* within the ICM. Efforts include the release of the SC's first book on *waqf* in 2014, covering themes on innovation, governance, and opportunities within the ICM. *Waqf* assets were also incorporated as one eligible projects under the revised SRI Sukuk Framework issued in 2019. The developmental efforts by the SC then extended to enable more diverse market offerings when the SC rolled out the Waqf-Featured Fund Framework (WQ-FF) for unlisted funds in 2020. Subsequently, the WQ-FF was expanded to encompass listed funds including Islamic ETFs and REITs in 2022.

The application of *waqf* in ICM products, such as Shariah-compliant funds and equities, has demonstrated its ability to generate positive and inclusive social impact for society. In this spirit, the SC facilitated the convening of the first regulator-led Waqf and Islamic Capital Market Conference in July 2023, providing a platform for stakeholders to discuss and propose solutions to unlock *waqf's* full potential. Building on the efforts over the past decade, further initiatives are underway to expand *waqf's* scale and reach. These include, among others, the continuation of the SC's annual *waqf* conference, ongoing engagements with key stakeholders and industry players and the drafting of the second edition of the *waqf* book.

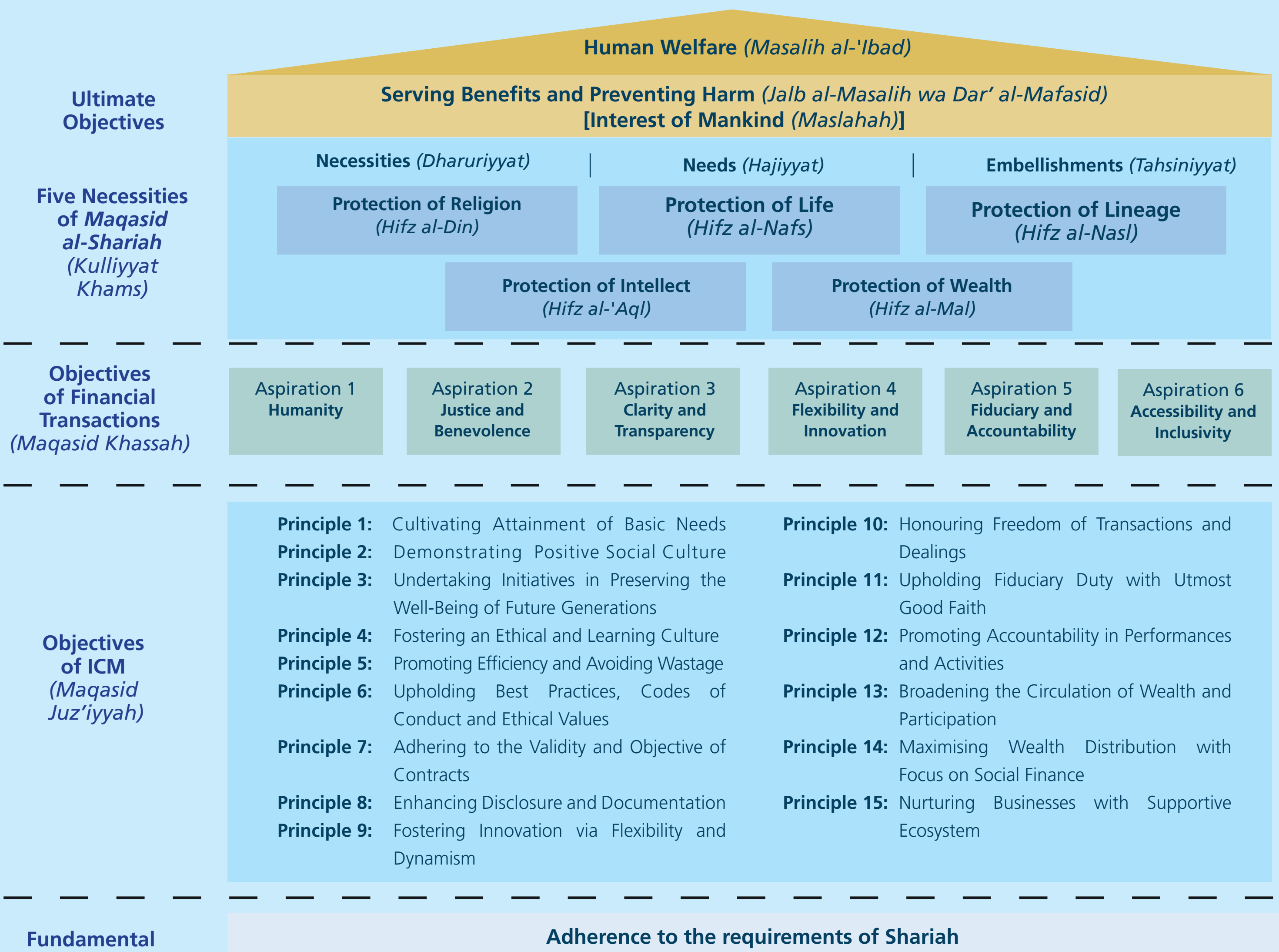
SPECIAL FEATURE 2

MAQASID AL-SHARIAH GUIDANCE ISLAMIC CAPITAL MARKET MALAYSIA

The Islamic finance core principles entail fostering financial inclusion, ethical conduct, and a stakeholder-driven approach, shaping a financial landscape that looks beyond profit to encompass the broader societal and ethical considerations.

Such ethical and moral considerations in Islamic finance can be sourced from the *maqasid al-Shariah* or higher objectives of Shariah. It is not only limited to prohibitive rulings to discourage immoral conduct and actions harmful to stakeholders and the community, but also takes on a holistic view for a righteous way of life, with the aim to preserve and promote the five necessities of mankind – religion, life, lineage, intellect, and wealth.

FIGURE 1
Illustration of the six Aspirations and 15 Principles of Maqasid al-Shariah in the ICM



As part of the SC's latest initiative to solidify ICM's impact to broader stakeholders, the *Maqasid Al-Shariah Guidance Islamic Capital Market Malaysia* (Guidance) was issued in November 2023. In line with the SC's CMP3, the Guidance is a fundamental effort in underpinning a strong and resilient industry to enhance ICM ecosystem's authenticity and align with the true spirit of Islamic finance.

It is envisioned that the Guidance will serve as a valuable reference document for all stakeholders, inspiring greater exploration of Islamic social finance tools, including *zakat* (almsgiving), *sadaqah* (charity), and *waqf* (Islamic endowment).

Anchored by the ultimate objective of attaining human welfare (*masalih al-'ibad*), the Guidance outlines six Aspirations that cover the main ethical dimensions of financial transactions, which are Humanity, Justice and Benevolence, Clarity and Transparency, Flexibility and Innovation, Fiduciary and Accountability, as well as Accessibility and Inclusivity. To support these overarching Aspirations, the Guidance then outlines 15 Principles, designed for practical application in ICM products and services.

Contributing to Society and the Real Economy Through ICM and SRI

Islamic finance shares many common underlying principles with sustainable finance and investing. Among others, both encourage economic expansion, financial stability, as well as the protection of the environment and the reduction of social inequalities.

The Guidance underscores the SC's commitment to enhance the role of the ICM in facilitating equitable growth, which, in turn, will help towards building and promoting sustainable and inclusive stakeholders economy. It is aimed to further facilitate the development of more innovative Islamic financial products and services as well as reinforce the SC's regulatory developmental efforts in sustainable and responsible investment (SRI), supporting areas such as environmental and climate action, through investments in renewable energy, conservation projects, and sustainable agriculture, among others.

The Principles and Aspirations outlined in the Guidance are also generally aligned with the broader goals of sustainable development, as encapsulated by the United Nations Sustainable Development Goals (SDGs). For example, Principle 1, which emphasises the attainment of basic needs and addressing issues such as poverty and food security aligns with SDG goals related to poverty eradication (SDG 1) and hunger alleviation (SDG 2). Likewise, Principles advocating for inclusive and sustainable economic growth such as Principle 13 and 15 correspond to SDGs focused on promoting decent work and economic growth (SDG 8). The alignment between the Guidance and the SDGs underscores the commitment of integrating sustainable practices across the ICM to advance the collective goal of achieving a more equitable, prosperous, and sustainable future for all.

Maintaining Confidence and Trust Through Adherence to Highest Ethical Standards

The Guidance also provides a foundation to be adopted, with each Principle and Aspiration integrating ethical elements to be applied in ICM products and services. To propel ICM to new heights, it is crucial for the industry to continue embracing best ethical practices. This will not only reinforce good governance and responsible stewardship, but also protect investors from harmful investment practices. As a result, this can enhance trust and confidence in the ICM, attracting more investors seeking sustainable and responsible financial solutions.

Bolstering ICM's Competitive Advantage Through Emphasis on the Substance Over Form

The commitment to focus more on the substance ensures that the ICM remains relevant and resilient in a rapidly evolving financial landscape, ultimately strengthening its competitive position in the long term.

This commitment involves prioritising the underlying principles and values behind financial transactions and products rather than merely adhering to procedural and transactional requirements. In practical terms, it is imperative for the substance or intended needs and objectives of transactions to be in line with the broader ethical considerations and societal welfare goals.

In the future, ICM envisions to follow closely the principles and aspirations outlined in the Guidance. Efforts are underway to enrich the existing SRI ecosystem, which is evident in the social finance landscape, through integration with fintech and also traditional Islamic finance instruments such as *waqf*.

To initiate adoption of the Guidance within the industry, five financial institutions, namely Maybank Islamic Bhd, CIMB Islamic Bhd, Bank Islam Malaysia Bhd, HSBC Amanah Malaysia Bhd and Standard Chartered Saadiq Bhd have expressed their commitment to adopt the Guidance in the Shariah Pronouncement of ICM products submitted to the SC. This will be one of the manifestations of the Guidance implementation in ICM products, taking a step towards aligning with the true spirit of Islamic finance.

By closer alignment to *maqasid al-Shariah*, the ICM seeks to foster an ecosystem that is inclusive and conducive for products and services.

STRENGTHENING THE FUND MANAGEMENT INDUSTRY

The fund management sector is a pivotal contributor to the Malaysian economy, serving as a cornerstone for the efficient allocation of capital to productive resources and fostering wealth accumulation for investors. The evolution of investment preferences and the dynamic nature of industry players has been a primary driver behind substantial growth in AUM, contributing to a diversified landscape in terms of product offerings and intermediation capabilities.

Consequently, the AUM of the fund management industry has exhibited noteworthy expansion, achieving a CAGR of 7.6% to reach RM975.5 billion in 2023, up from RM377.5 billion in 2010. This remarkable growth underscores the escalating prominence and significance of the fund management industry within the capital market and the broader economy.

While the industry has seen strong growth over the past few decades, a proactive and adaptive regulatory approach is necessary to address the challenges and opportunities brought about by technological advancements, changing investor preferences, and the globalisation of financial markets.

In view of the changing economic landscape and the evolution across the value chain from products and strategies offered, to marketing and distribution channels as well as fund operations, the SC aims to take steps to ensure the industry remains relevant and competitive *vis-a-vis* global development.

To this end, the SC sought to shape the future of fund management by taking an inclusive, industry-wide approach through engagements and an industry wide CEO survey. Responses were received from 68 fund management CEOs across different license types and covered a wide range of areas across the fund management value chain from strategic priorities to client preferences and digitalisation.

Through insights derived from the survey, a holistic set of policy recommendations covering the competitiveness of fund management companies, promoting efficiency of the value chain and widening access and investment options have been developed. Prioritisation of initiatives and implementation over the next three years will be undertaken through joint working groups with industry captains/leaders.

Ultimately, these recommendations aim to actively chart and push the next phase of growth for the Malaysian fund management industry by ensuring that the industry adapts to the evolving landscape and that market participants operate within a framework that promotes innovation without sacrificing investor protection.

Expanding the Wholesale Fund Framework

In line with measures to liberalise the fund management industry, efforts were undertaken to provide investors with access to a more varied range of alternative assets and strategies. This initiative reflects the SC's commitment to enhance the depth and breadth of the capital market while promoting an inclusive investment environment for various risk appetites and needs.

In this regard, the Wholesale Fund Framework has been expanded to enable domestic managers to invest in in alternative investment products via special purpose vehicles, in addition to the available conventional assets such as securities, derivatives, money market instruments and deposits.

To improve transparency, fund managers will be required to provide an offering document setting out information that would facilitate comparability between funds and enable investors to make more informed decisions. Additional measures have been put in place to ensure fund managers are prepared to manage the risks associated with alternative assets.

Overall, these measures will provide wider investment opportunities and diversification potential for investors as well as broaden fund managers' capabilities to maximise returns and promote more innovation which in turn will improve competitiveness of the Malaysian fund management industry.

Providing Flexibilities for Secondary Listing of ETFs

The proliferation and popularity of ETFs over the past decade have significantly reshaped the investment landscape globally. Within this sphere, secondary listing which is the process of listing on multiple exchanges has become a strategic move for ETF issuers aiming to expand their reach and attract a broader investor base.

Recognising the limitations within the existing regulatory framework and the growth potential of this segment, the SC sought to enable greater flexibility and provided greater clarity on secondary listings of ETFs on Bursa Malaysia.

To this end, the SC has allowed foreign ETF operators to apply for secondary listing of up to five non-plain vanilla ETFs, such as leveraged ETF, inverse ETF and synthetic ETF, which is subject to certain controls on the foreign operator. These controls include the need for the ETF operator to maintain certain information such as indicative NAV, fees, information on key personnel and a summary of operator's financial position on its website as well as to notify the SC of events that may affect the index which the ETF is tracking.

Ultimately, this initiative will empower investors with more diverse strategies to accumulate wealth that can be accessed conveniently and cost-effectively on the exchange. In addition, the introduction of a more diverse range of ETFs is likely to increase overall participation in the domestic ETF market thus boosting overall market vibrancy as well.

Championing Behavioural Interventions in the Private Pension Industry

In the face of rapid demographic changes coupled with the economic challenges in the post-pandemic world, the discussion on the future of Malaysians *vis-a-vis* their retirement savings has become an increasingly pressing subject. The private sector's role in supplementing retirement incomes becomes even more pronounced when we consider PRS within the construct of Malaysia's multi-tier pension framework.

While there has been commendable growth of 19.22% in the industry with total AUM reaching RM6.45 billion and 579,000 members at the end of 2023, the SC recognises that moving the needle on retirement security with respect to private sector solutions requires partnership and collaboration between retirement stakeholders on multiple fronts.

In this regard, the SC championed the adoption of behavioural interventions by PRS Providers and PPA in 2023. These are solutions that incorporate behavioural science to create effective solutions that encourage the desired behaviour. Some behavioural interventions explored by PRS Providers and PPA included targeted messages to members and direct debits through PPA's Online Account system, which would facilitate easier, more convenient and automated contributions by members into the respective PRS account.

These efforts began from a workshop that the SC hosted in March 2023, where Providers were invited to engage in a discussion on how behavioural interventions could be utilised to increase participation and contributions into PRS. Providers worked with the SC to develop targeted behavioural messages and approaches to test them among their respective members. This pilot-test approach was undertaken to empirically determine the most effective behavioural messages which Providers could utilise in the longer-term to continue targeted interventions among their respective members.

The dialogue on retirement adequacy and behavioural solutions to address this continued on with the SC's retirement forum in November 2023 entitled 'Improving Long Term Retirement Planning and Savings Behaviour'. This was an important avenue to bring social protection and private pension experts to share solutions on improvements across the private pension system that should be implemented to better cater for the changing retirement needs of Malaysians.

Expanding Advisory Channels While Ensuring a Continued Role for Dealer Representatives

As Malaysian investors' needs increase in sophistication, market intermediaries will be relied upon to provide multiple value-added services, from execution to advisory services, for better access and convenience. The SC recognised the potential ability of dealer representatives to offer such multiple value-added services and, in this regard, sought to provide greater opportunities for dealer representatives to increase their scope of activities to cover advisory-related services. This would lead to additional sources of revenue for dealer representatives while expanding the channel for investors to obtain advice and other services.

The expansion included removing the requirement for dealer representatives to be employed on a full-time basis and permitting them to be licensed and or registered for investment advisory, financial planning and distribution of unit trust and PRS to their clients.

These flexibilities are offered to dealer representatives who have been licensed for more than five years and meet the competency requirement for the relevant regulated activity. To ensure effective supervision and oversight to mitigate against any potential misconduct, the additional regulated activities must be undertaken within the same broking firm or within its group of companies.

Overall, these measures would continue to ensure that dealer representatives adapt to the changing investment landscape within the capital market while availing diversified services for investors in other capital market products and services.

Introducing the Foreign Exempt Scheme Framework

As the demographics of Malaysian investors mature, it is essential that investors are empowered with more investment fund options to meet their diverse risk appetites and needs. This includes exposure to varied strategies and geographies. While onshore funds do cater to investor needs, the SC recognises the potential foreign funds may offer in widening options available to investors.

In this regard, a new framework for Foreign Exempt Schemes was introduced to widen access to foreign funds and provide more options for sophisticated investors. This would allow foreign fund operators that are a related corporation to an SC-licensed fund manager to offer their foreign funds to institutional investors and high-net-worth entities (HNWEs).

Ultimately, the framework will make available more choices and add greater diversity to onshore fund options in the domestic capital market.

FOSTERING AN INCLUSIVE AND COMPETITIVE DERIVATIVES MARKET

In its efforts to foster an inclusive and competitive derivatives market, the SC has undertaken various initiatives, which include the mini-United States Dollar and Chinese Renminbi currency futures contract (FCNH) and soybean oil future contract (FSOY). These initiatives are expected to improve investors' accessibility to risk management tools and broaden the derivative product offerings.

Mini USD-CNH Currency Futures Contract

On 24 February 2023, the SC granted approval-in-principal for the introduction of the FCNH on Bursa Malaysia Derivatives (BMD). The contract is based on a licensing agreement with the Hong Kong Futures Exchange (HKFE) for the settlement price of Hong Kong's USD/CNH currency contract.

The settlement price in Hong Kong is used as reference on expiry of the FCNH contract. However, all other elements in the FCNH contract specifications such as trading hours, contract size and limits are determined by BMD.

The introduction of FCNH accords Malaysia's largely export and SME-centered economy the ability to deepen its participation in the local exchange-traded derivatives market. It also fulfils a tangible 'real economy' need to ensure exchange rate volatility among the currencies of the world's two largest economies can be hedged effectively on a domestic platform. Furthermore, the contract would broaden product offerings on BMD beyond the current suite of commodities, financial and equity-based derivatives. The contract was launched on 11 December 2023.

Bursa Malaysia Derivatives DCE Soybean Oil Futures Contract

On 13 September 2023, the SC also granted approval-in-principal for the introduction of FSOY on BMD. Similar to the FCNH contract, FSOY is based on a licensing agreement with the Dalian Commodity Exchange (DCE) for the settlement price of the DCE's soybean oil futures contract. This collaboration is the culmination of two years of groundwork and enjoys the support of the China Securities Regulatory Commission (CSRC).

While the price in China is used as a reference, the FSOY contract is standalone and separate and will be traded and cleared at BMD. The proposed introduction of FSOY taps into BMD's current expertise with edible oils, as the exchange provides the global pricing benchmark for crude palm oil through the Crude Palm Oil Futures (FCPO) contract.

Having both crude palm oil and soybean oil futures on a single exchange would also result in cross margining savings. Further, to attract participants seeking exposure to Dalian's soybean oil pricing – the contract will be denominated in US dollars, which is an international pricing unit.

ENHANCING THE ATTRACTIVENESS OF THE EQUITY CAPITAL MARKET

In 2023, the SC continued to introduce further measures to enhance the attractiveness of the equity capital market with the introduction of fractional share trading, a new accelerated transfer process to the Main Market and taking measures to safeguard investors' interest in relation to offerings by the unlisted public companies (UPCs).

Introducing Fractional Share Trading

On 7 September 2023, the SC facilitated the offering of fractional trading on shares listed on Bursa Securities by stockbroking companies. This is part of the SC's capital market initiatives to improve investors' accessibility to the domestic stock market and to make investment more affordable for Malaysians.

A fractional share is a portion of stock that is less than one standard board lot. Fractional share trading will allow retail investors, particularly individuals from the younger generation, with low starting capital, to invest in high value stocks. Additionally, these retail investors will have the option to diversify their portfolio, while creating a more inclusive capital market for all Malaysian.

To safeguard the interest of investors, the *Guidelines on Market Conduct and Business Practices for Stockbroking Companies and Licensed Representatives* was amended requiring stockbroking companies to incorporate the necessary systems, policies, and procedures when offering fractional share trading services. This is to ensure fair treatment of customers' orders, price transparency and proper supervision of the fractional share trading service.

Accelerated Transfer Process for Transfer from ACE Market to Main Market

In December 2023, the SC had announced an accelerated transfer process to facilitate the promotion of eligible ACE Market listed corporations to the Main Market of Bursa Malaysia. This new framework will take effect on 1 January 2024.

The newly introduced accelerated transfer to Main Market framework is to provide a special pathway to encourage significantly larger and more profitable ACE Market companies with more than RM1 billion market capitalisation to transfer to the Main Market in an expedited manner.

The purpose for the introduction of the accelerated pathway to transfer to the Main Market is to promote the attractiveness of the overall equity market with larger companies listed on the Main Market, and to enable greater access to foreign and local institutional investors for these companies.

The newly simplified and accelerated transfer process should incentivise more companies listed on the ACE Market to make continuous efforts to improve their corporate values and achieve sustainable growth for shareholders.

Notwithstanding, the accelerated transfer process does not preclude any ACE Market companies that meet the Main Market entry requirements to apply for a transfer to the Main Market under the existing normal transfer process.

Issues Relating to Raising of Funds by Unlisted Public Companies

There are increasing regulatory concerns on offerings of shares by UPCs which affects investors.

The SC views this seriously and has taken various steps to address the same. This includes engaging with management of the UPC and other key stakeholders involved in fundraising activities, to express its concerns as well as to highlight the expectations in terms of compliance with the relevant laws and regulations governing the fund raising activities.

Further, the SC is also undertaking a comprehensive review of the regulatory framework in respect of offerings of shares by the UPC towards greater investor protection.

DEMOCRATISING INVESTMENTS THROUGH DIGITAL INVESTMENT SERVICES

Technological advancements and changing consumer behaviours continue to shape the capital markets. Increasingly, consumers are demanding for more data for decision-making, personalised investing experience, and investment options, including alternative assets through digital channels.

E-wallets with embedded finance has played a pivotal role in meeting these evolving demands as they seamlessly integrate financial services into their platforms, while offering users not only a secure and convenient means of managing their funds but also expanding access to digital investment services.

Since 2016, the SC has been facilitating the provision of digital investment services that enhances accessibility and convenience in the financial landscape with the registration of four new e-service providers and one new DAX in 2023.

Digital Investment Management

The introduction of the digital investment management (DIM) framework in 2017 has enabled both new and established market participants to embrace digitisation and foster the creation of innovative and more efficient approaches of providing capital market products and services to investors.

As at end 2023, DIM has grown 400 times in total AUM, valued at RM1.6 billion. While the DIM AUM constitutes less than 1% of total AUM in the fund management industry, there has been a steady upward trend, with a 15% growth in 2023. DIM has increasingly expanded its reach to beyond Klang Valley, empowering more investors to gain access to a range of DIM investment opportunities. (Refer to Figure 2 - Snapshot of DIM industry).

E-Services Platform

The e-services platform (eSP) framework introduced in 2020, has further enhanced the digital landscape of Malaysia's capital market. The framework enables platforms like e-wallets and e-payment service providers to democratise the online distribution of capital market products, such as unit trusts, making them accessible to a diverse range of investors. To date, 43 capital market products have been facilitated through these platforms, allowing seamless and wider access to investment opportunities for everyone.

Since 2021, the cumulative value of subscriptions to capital market products distributed on the eSP has exceeded RM18 million. Notably, in 2023 alone, subscriptions stood at RM12 million, constituting 67% of the total subscriptions since inception. The market has also witnessed continued interest in eSP with a 27% increase in the number of accounts created in 2023, compared to 2022.

FIGURE 2
Snapshot of DIM industry

Size of the industry

AUM
RM1.6 billion
400 times growth since its inception in 2018

Accounts Created
Over 1 million

Client demography

51% Are in their 20s

54% Live outside of Klang Valley

32% Are women

(As of December 2023)

Common investment goals

- Build personal wealth
- House/car
- Holiday
- Wedding
- Education

Digital Assets Market Overview

The first half of 2023 saw a subdued digital asset market, in line with global markets. This was primarily driven by residual effects of the FTX collapse towards the end of 2022 which carried into 2023. The fallout of FTX had a ripple effect on the crypto ecosystem with investors being more cautious and aware of potential risks in digital assets. In the third quarter of 2023, trading volume in Malaysian DAX saw an uptick, in line with global market trends largely driven by Bitcoin and Ethereum prices surging on news of international asset managers interest in issuing for crypto ETFs in the US. Trading value were especially high with an over 300% increase in trading volume across regulated DAXs especially after US SEC ruled in favour of Ripple.

"*2023 was a year of expansion in the digital asset ecosystem in products and services across the capital markets*".

Across regulated DAXs, retail investors made up over 72% of the investor segment, signalling this asset class is primarily a retail driven market below the age of 45. DAXs added Avalanche (AVAX) and Polygon (MATIC) tokens to their trading platforms in 2023, bringing the total number of tokens traded across DAXs to 11, driven by demand from investors for more trading pairs.

Digital Asset Focus for 2023

In 2023, IEO operators launched their platforms allowing issuers to fundraise through token issuance. This medium of fundraising supported the issuance of securities tokens which are tokenised representations of traditional securities; as well as enabled the issuance of utility tokens which often grants access to unique goods and services. These platforms have assisted in broadening investor access to digital assets. Recognising the rising demand from traditional investors to have exposure to digital assets, 2023 saw the entry of crypto funds which provide sophisticated investors exposure to Bitcoin and Ethereum.

Furthermore, the SC has granted approvals-in-principle to three local DAC, among them, one has gone *live* in 2023. DACs serve to safekeep digital assets in a protected environment using advanced security measures to prevent hacking attempts or unauthorised access, paving the way for regulated players and investors to securely store their digital assets. Incumbents have been reliant on third-party technology service providers for their custodial services but new entrants in the local market have enabled DAXs, IEOs, fund managers (FMs) and other institutions to leverage off their custodial solutions.

While promoting innovation, investor protection remains paramount in the capital market. With the advancements of technology and maintaining competitiveness in the market, the SC will explore using cases with high propositions alongside industry partners. Use cases which have been highlighted from industry feedback include eKYC through Digital Identity and asset tokenisation.

Asset tokenisation has been a prominent topic within the capital market which essentially enables better investor access and increases liquidity of traditional securities through tokenisation. There has been a growing interest among local incumbents to explore tokenisation of traditional assets such as fixed income instruments and fund products in 2023.

EMBRACING INNOVATION FOR GREATER GROWTH

The SC remains committed to fostering innovation and technological advancement within the Malaysia capital market to address increasing demand for digital and online services. This approach is aimed at accelerating digitisation among capital market entities and adoption of innovative fintech solutions in the overall ecosystem, leading to greater growth and development in the market.

Catalysing Digitisation of the Capital Market through Digital Innovation Fund

Recognising the role of capital market players in pushing new frontiers via digitalisation, the Digital Innovation Fund (DIGID) was set up by the SC to co-fund new-to-market, scalable and sustainable innovative solutions. In line with the SC's MSME agenda, the RM30 million fund aims to support smaller capital market players to develop projects that leverage technology. Additionally, this initiative aims to foster new growth opportunities and competitive propositions within the Malaysian capital market.

DIGID will be administered over a three-year period – from 2023 to 2025, or until fully utilised. The funding amount per project will defray up to 70% of approved qualifying expenses, capped at RM500,000. Successful DIGID Award recipients will receive funding on a

In 2023, 15 projects were selected for the DIGID Award, with solutions as follows:

Modalku Ventures (Funding Societies) AI-driven Smart Financing	**Halogen Capital** DLT-based Fund Administration Solution	**VKA Wealth Planners** Dynamic Financial Planning Solution
MULA Advisory Algo-driven Financial Coaching	**Capsphere** Enriched Credit Scoring with Alternative Data	**Advisonomics (Cashku)** Data-driven Advisory
Crea8 Capital AI Powered Sustainable Investing	**Versa Asia** Transforming Access to PRS Solutions	**Bond Pricing Agency Malaysia (BPAM)** Adaptive ML-Driven Sustainability Taxonomy Platform
StashAway Malaysia Embracing RegTech: Smart Transaction Monitoring Capabilities	**Peoplender (Fundaztic)** Elevating MSME Credit Assessment with AI	**Sinegy** Enhancing Retail Access to Digital Assets
Bay Smart Capital Ventures Predictive Analytics using ML Algorithms	**MyStartr** Leveraging AI to Enhance Regtech Capabilities	**Bay Supply Chain Technology** Embedded Financing within the Supply Chain Process

reimbursement basis upon completion of agreed-upon milestone deliverables, which includes a presentation of the completed solution and accomplishment of its intended outcomes.

The DIGID initiative has unearthed promising solutions that cut across various capital market segments including financial planning, investment advisory, fund management, ECF, P2P financing, bond market, unit trust, PRS and digital assets segments. These projects seek to adopt technologies including artificial intelligence (AI), data analytics, distributed ledger technology (DLT) and API integrations that enable new sources of growth, enhanced process efficiency, improved customer delivery, and enhanced risk management and regulatory compliance.

DIGID continues to encourage more technology-enabled solutions which can push market boundaries, drive further efficiency, and spur greater inclusion to serve markets or segments which are underserved.

Facilitating Innovation in ICM

The SC seeks to promote innovation and efficient delivery of ICM products and services through fintech. By leveraging fintech as an enabler, the SC endeavors to facilitate the growth and expansion of innovative solutions, focusing on the halal economy, SRI, and social finance.

While digital and fintech adoption in the ICM has expanded across Islamic ECF, P2P financing and DIM sercives – there is a need to spur growth in these areas. In 2021, the SC, in collaboration with the United Nations Capital Development Fund (UNCDF), introduced FIKRA, Malaysia's first regulator-led Islamic fintech accelerator. FIKRA, which translates to 'ideas', aims to identify and scale relevant and innovative Islamic fintech solutions that can help address three main challenge areas, namely, new ICM offerings, accessibility and social finance integration.

As part of the SC's continuous effort to develop a vibrant Islamic fintech ecosystem in Malaysia's ICM, FIKRA ACE – the enhanced, three-year fintech initiative, was introduced in June 2023. Expanding from FIKRA which adopts a single accelerator approach, the newly launched FIKRA ACE consists of three components:

FIKRA ACE ACCELERATOR

Accelerator, an Islamic-solutions focused accelerator programmme

FIKRA ACE CIRCLE

Circle, a networking platform to connect relevant stakeholders of the ICM and fintech industry

FIKRA ACE EXCEL

Excel, a platform for collaborations with higher learning institutions for capacity building

The overarching goal of FIKRA ACE is to identify companies with fintech solutions to nurture, grow, and connect with the ICM ecosystem in various segments. The initiative also aims to support the Islamic fintech space by building capacity and a talent pipeline for the industry.

The first component of FIKRA ACE, i.e. the Accelerator programme, commenced on 5 September 2023, which was organised in collaboration with Malaysia Digital Economy Corporation (MDEC). The 8-week programme concluded with a Demo Day held on 9 November 2023, of which 10 startups were selected as finalists to pitch their ideas to a panel of judges and potential investors and industry partners. The 10 finalists were EPC Blockchain, Eversustain, Global Psytech, Pewarisan, Pod, HalalStocks, GreenArc Capital, Refundway, Sampul, and W Vault by Wahine Capital. Global Psytech and Pewarisan emerged as winners for the 2023 cohort and earned a combined total cash prize of RM80,000.

Subsequent to the conclusion of the Accelerator programme, the second component of FIKRA ACE – Excel, which involves collaboration programmes with higher learning institutions, will be launched in 1H 2024.

ENHANCING TECHNOLOGY AND CYBER RESILIENCE

Digital revolution has ushered in a new era marked by connectivity, convenience, and innovation. Consequently, an increasing number of capital market entities have harnessed these technologies to conduct their business. However, with the rapid adoption of technology, particularly in the capital market industry, the landscape is not without its challenges. Technology and cyber risks and threats are becoming more prevalent. To strengthen technology and cyber resilience, the SC has embraced a comprehensive four-pronged approach (1) cyber threat intelligence and awareness; (2) capability development; (3) policies and guidelines; and (4) audit inspection.

Cyber Threat Intelligence and Awareness

In today's digital landscape, where cyber threats continue to escalate in sophistication and scale, it is imperative for organisations to adapt and fortify their defences. Lack of capabilities in managing cyber threats could cause organisations to be vulnerable and exposed to cyber predators attacking for their advantage. As technology evolves, so do the tactics employed by cyber predators, making it crucial for businesses to stay ahead in the cybersecurity game.

Recognising the pressing need, the SC takes a proactive approach by publishing its Cyber Threat Intelligence and Awareness (CTIA) analysis bi-annually to share observations on the evolving cyber risk landscape within the Malaysian capital market. The goal is to demonstrate commitment to the security of the capital market by providing the industry with timely and accurate information that will enable the organisations to prioritise resources, at the same time to better prepare them and enhance their understanding of potential cyber threats.

Cyber-attacks analysis of global trends in 1H 2023 revealed that ransomware accounted for a staggering 34% of reported incidents globally, followed closely by data breaches at 21%, and malware at 15%. Notably, similar trends were observed in Malaysia, with ransomware constituting 31% of cyber incidents, data breaches at 27%, and malware at 15%. These statistics underscore the gravity of the cybersecurity challenges faced by both the world and the nation. The cyber-attack analysis also sheds light on some distinctive trends within Malaysia, specifically the rising occurrences of mobile attacks and supply chain attacks. These observations align with the findings presented in the SC's 2H 2022 CTIA report. In that report, both mobile attacks and supply chain attacks were prominently acknowledged as burgeoning threats to the societal landscape, emphasising the need for vigilance and preparedness in these domains.

Capability Development

The insights gleaned from the SC's assessment of global and local threat trends have reinforced its commitment to enhance the preparedness and response capabilities of capital market entities. By aligning the content focus of SC Capital Market Cyber Simulations (CMCS) with the emerging threat landscape, we ensure that the exercises directly address the most pertinent and pressing challenges faced by the industry. This synergy between threat analysis and content development not only facilitates a more targeted and effective approach but also strengthens the overall resilience of the sector, allowing the SC to be better prepared in the ongoing battle against cyber threats.

In essence, the SC's decision to align its capability development exercise with the threat landscape analysis is a proactive measure to empower capital market entities with the knowledge and skills required to mitigate risks and safeguard the integrity of the financial industry.

Policies and Guidelines

Looking ahead, technological advancements and changing consumer behaviours will continue to shape the future of the capital market. More capital market entities are embracing technology as the digital revolution reshapes the business landscape. Technologies like blockchain and AI are revolutionising traditional financial systems, paving the way for more transparent, efficient, and decentralised financial ecosystems.

As such, capital market entities need to proactively addresses the potential technology risks, including

FIGURE 4
Guidelines on Technology Risk Management

cybersecurity and the ethical considerations surrounding AI. These technology risks hold particular significance in the context of the capital market, as disruptions within a financial intermediary could result in substantial financial losses for investors and even trigger systemic market events should it spread to other market participants.

As data and technology become more intertwined with the capital market, it is crucial to remain mindful of the risks posed to investors, intermediaries, and the market as a whole.

The SC introduced the *Guidelines on Technology Risk Management* (GTRM) on 1 August 2023, to provide a comprehensive regulatory framework for managing technology risk in capital market entities. These policies are designed to establish clear protocols for safeguarding information, mitigating cyber threats, and ensuring a secure digital ecosystem within the financial sector. The GTRM is expected to come into full force by the third quarter of 2024. These guidelines strive to be the central reference on technology risk management, serving as a framework for supervisors during assessments and examinations of entities. Additionally, it provides clear guidance on the GTRM requirements, setting the SC's expectations for technology risk management among capital market entities.

Ultimately, the SC's objective is for all capital market entities to establish a robust and sound technology risk management framework, ensuring cyber resilience.

Audit Inspection

By conducting supervisory assessments, the SC aims to identify vulnerabilities, assess the effectiveness of existing technology security practices and cybersecurity measures, and promote continuous improvement in the overall technology and cyber security posture of capital market entities.

In 2023, the SC conducted a series of supervisory assessment on selected capital market participants which included onsite examination of the resilience of their cyber and technology risk management. Among others, these assessment takes into consideration the potential risk of ambiguity in technology and cyber security roles, failure to assess and address security risks associated with third-party, unidentified technology risk due to lack of tech risk management frameworks, delayed incident response and incomplete incident analysis.

By addressing these areas of concern, the SC strives to not only identify vulnerabilities but also to foster a culture of continuous improvement. Through collaborative efforts with market participants, the SC endeavors to enhance the overall cyber security resilience of the capital market, ensuring a secure and robust digital environment for all stakeholders.

FACILITATING ESG THROUGH THE CAPITAL MARKET

SRI continues to be one of the key priorities for the development of the Malaysian capital market. In 2023, the SC introduced several initiatives to strengthen the development of a facilitative SRI ecosystem, including meeting the country's transition finance needs.

As Malaysia transitions to a low-carbon economy, the capital market plays an instrumental role in intermediating private sector investment and bridging the gap in public sector financing for sustainability and transition purposes. From the sustainable fixed income segment, RM27.61 billion of SRI sukuk have been issued as of December 2023. Out of the total SRI sukuk issuances, RM25.27 billion were dually recognised under both the SRI Sukuk Framework and one of the ASEAN Green, Social and Sustainability Bond Standards.

Enhancing Clarity of SRI through the Development of the SRI Taxonomy Plus Standard

The rise of sustainable investments has led to the need for more clarity and guidance for market participants in identifying activities that would qualify as sustainable investments, as well as the need to mitigate the risks of greenwashing. Various jurisdictions, such as the European Union (EU), ASEAN, China, India, United Kingdom, Malaysia, Indonesia, Thailand, Singapore and Vietnam have issued or are developing sustainable finance-related taxonomies to further guide the development of sustainable finance and investments within their respective region and jurisdiction.

For the ASEAN region, the *ASEAN Taxonomy for Sustainable Finance* (ASEAN Taxonomy), developed by the ASEAN Taxonomy Board (ATB), of which the SC is a member, will serve as an overarching taxonomy for the region. However, the ASEAN Taxonomy does not preclude the ASEAN member states from developing its own national taxonomy.

In line with the recommendation of the SC's *SRI Roadmap for the Malaysian Capital Market* (SRI Roadmap), *the Principles-Based SRI Taxonomy for the Malaysian Capital Market* (SRI Taxonomy) was issued in December 2022. The SRI Taxonomy aims to enable a wide range of users to identify and classify economic activities in alignment with the environmental, social and sustainability objectives. Following the issuance of the SRI Taxonomy, the SC continues to engage with the relevant stakeholders to enhance understanding and encourage greater adoption of the SRI Taxonomy within the Malaysian capital market.

Moving forward, the SC will work on the next iteration of the SRI Taxonomy that will provide greater guidance to the industry. This includes future refinements of the SRI Taxonomy and development of more detailed guidance that is consistent with national policies.

Driving More Sustainable Finance and Investments to the Private Markets

In line with the recommendation of the SC's SRI Roadmap on widening access to SRI through alternative funding avenues such as VC, PE, ECF and P2P financing platforms, the SRI Guide for Private Markets was issued in December 2023. The SRI Guide for Private Markets aims to provide voluntary guidance to venture capital management corporations (VCMCs), private equity management corporations (PEMCs), ECF and P2P financing platform operators on incorporating sustainability considerations in the investment process and due diligence process, as well as to facilitate VCMCs, PEMCs, ECF and P2P financing platform operators in assessing sustainability status of portfolio companies and fundraising campaigns.

The Joint Committee on Climate Change

The SC and BNM continue to collaborate in strengthening the financial sector's response to climate change. As Malaysia transitions towards a low-carbon economy and a more sustainable future, it is critical that both companies and financial institutions play their part in facilitating this transition. The Joint Committee on Climate Change (JC3), through its initiatives, is actively exploring ways to assist companies to move towards a low-carbon economy in a just and orderly manner, while supporting financial institutions to accelerate capital allocation towards companies demonstrating credible climate transition pathways.

The year saw the progress of the initial green pilot projects and several capital market initiatives supported by JC3 that aim to expand sustainable and transition finance. The projects and initiatives focus on greening supply chains, scaling up green technology adoption in the agriculture sector and supporting the development of the sustainable sukuk and bond market.

The JC3 has established the SME Focus Group in 2023, focusing on enhancing awareness, facilitating green and sustainability certification, and facilitating better disclosures by SMEs. These efforts aim to ease the processes and reduce overall transition cost faced by SMEs. The establishment of the SME Focus Group is timely to ensure the backbone of the country's economy is given special attention as their collective actions hold immense potential to shape our economic trajectory and to contribute to job creation and overall societal well-being.

Read more on media release 'Joint Statement by Bank Negara Malaysia and Securities Commission Malaysia Updates at the 10th Joint Committee on Climate Change (JC3) Meeting'.
https://www.sc.com.my/resources/media/media-release/joint-statement-by-bank-negara-malaysia-and-securities-commission-malaysia-updates-from-the-10th-joint-committee-on-climate-change-jc3-meeting

Read more on media release 'Joint Statement by Bank Negara Malaysia and Securities Commission Malaysia Updates at the 11th Joint Committee on Climate Change (JC3) Meeting'.
https://www.sc.com.my/resources/media/media-release/joint-statement-by-bank-negara-malaysia-and-securities-commission-malaysia-updates-from-the-11th-joint-committee-on-climate-change-jc3-meeting

Accelerating Growth of Sustainable Investments for the Capital Market

The SC issued a revised set of *Guidelines on Sustainable and Responsible Investment Funds* (Guidelines on SRI Funds) on 17 February 2023, which came into effect immediately upon its issuance. The revised Guidelines on SRI Funds enhances the disclosure and reporting requirements to mitigate greenwashing risk while ensuring alignment with the *ASEAN Sustainable and Responsible Fund* (ASEAN SRF) *Standards* that were issued in October 2022.

Under the revised Guidelines on SRI Funds, a qualified SRI fund or a fund seeking to qualify as an SRI fund may also seek to qualify as an ASEAN SRF if the issuer can ensure that the SRI fund complies with the ASEAN SRF Standards issued by the ASEAN Capital Markets Forum. The allignment between the Guidelines on SRI Funds and the ASEAN SRF Standards would also enable fund managers to tap into the regional pool of investors.

As at December 2023, the size of SRI funds in Malaysia is RM7.7 billion NAV made out of a total of 68 SRI funds.

Promoting sustainable investment

The SC also supported the development of several initiatives under the *Perkukuh Pelaburan Rakyat* (PERKUKUH) programme under the MOF, focused on promoting good governance to facilitate sustainable growth, enhance socioeconomic inclusivity, and ensure environmental sustainability. The SC, as the lead of PERKUKUH #11 WG, supported MOF in spearheading the development of the *Sustainable Investing Standards* (SIS), which was released on 26 May 2023, and aims to enhance the role of government-linked investment companies (GLICs) in sustainable investments, by providing guidance in incorporating sustainability considerations into the investment process.

Availability of data on corporate bonds and sukuk issued under the SC's SRI Sukuk Framework, and ASEAN Green, Social and Sustainability Bond Standards to the public

Making available enrivonmental, social and governance (ESG) data to the public remains crucial. The availability of such information aims to enhance information transparency as well as facilitate well-informed investment decisions. Towards this end, data on corporate bonds and sukuk issued under the SC's SRI Sukuk Framework, and the ASEAN Green, Social and Sustainability Bond Standards has been made publicly accessible via the Bond + Sukuk Information Exchange (BIX) website.

Development of the National Sustainability Reporting Framework by the Advisory Committee on Sustainability Reporting

An inter-agency ACSR was established by the SC, with endorsement from the MOF to address the implementation of the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB) in Malaysia. The ACSR is mandated to look into the implementation approach, timing, assurance framework as well as the required structure for regulatory oversight. All of which is encapsulated as Malaysia's National Sustainability Reporting Framework (NSRF). The ISSB standards was issued on 26 June 2023, in a response to demands particularly from investors to improve the quality, reliability and comparability of sustainability information.

Chaired by the SC, members of ACSR comprise representatives from the Audit Oversight Board, BNM, Companies Commission of Malaysia, Bursa Malaysia, and the Financial Reporting Foundation.

The ACSR also formed a Consultative Group with members comprising a cross-segment of stakeholders including listed companies, assurance providers, professional bodies, industry associations as well as mid-tier companies to solicit feedback on the proposed NSRF. An offsite engagement was organised in November 2023 to support the feedback-gathering process.

The committee also engaged the International Auditing and Assurance Standards Board on 9 October 2023 to discuss the International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements, and issues which the ACSR is deliberating on in relation to the assurance of sustainability information. The ACSR plans to undertake a broader consultation on NSRF in Q1 2024.

SME Governance Working Group

The SME Governance Working Group (Working Group) chaired by the SC continued with its efforts to develop a governance toolkit for SMEs. The Working Group convened earlier in the year and engaged Khazanah Research Institute and SME Bank Malaysia in order to obtain a macro view of issues relevant to the development of the toolkit. This includes the role of small businesses in the Malaysian economy, and governance in levelling up these businesses for the next phase of economic development.

The Working Group also provided comments on the draft simplified ESG Disclosure Guide for SMEs, which is developed by Capital Markets Malaysia (CMM), in particular the governance-related disclosures.

The Malaysian Institute of Corporate Governance, a member of the Working Group is leading the development of the toolkit, which is targeted for issuance within 1H 2024, after a public consultation in Q1 2024. The development of this toolkit is in line with a strategic goal under the *Twelfth Malaysia Plan* to strengthen the governance of SMEs.

Participation in the 45th and 46th Organisation for Economic Co-operation and Development Corporate Governance Committee Meetings

The SC represented Malaysia at the 45th and 46th Organisation for Economic Co-operation and Development (OECD) Corporate Governance Committee (CGC) meeting that was held from 14 to 15 March 2023 and 13 to 14 November 2023, respectively, at the OECD Headquarters in Paris. The meetings focused on finalising the draft revision to the *G20/OECD Principles of Corporate Governance* (Principles), the internationally accepted framework on corporate governance. The latest revisions include new and updated guidance on shareholder rights, the role of institutional investors, corporate disclosure and transparency, the responsibilities of boards, and, for the first time, on sustainability and resilience to help companies manage climate-related and other sustainability risks and opportunities. The Principles were subsequently issued by the OECD on 11 September 2023. At the 46th meeting, the CGC discussed the priorities and plans for implementation of the revised Principles.

Commencement of the mandatory onboarding programme on sustainability for directors of listed companies

The SC spearheaded the development of a new mandatory onboarding programme for directors of listed companies, the Leading for Impact Programme (LIP).Directors' enrolment in LIP was made mandatory via amendments to the Bursa Malaysia Listing Requirements which came into effect on 1 August 2023.

First-time directors of listing and transfer applicants must complete the programme within 18 months from the date of appointment or admission, whereas existing directors must complete the LIP within 24 months from the effective date.

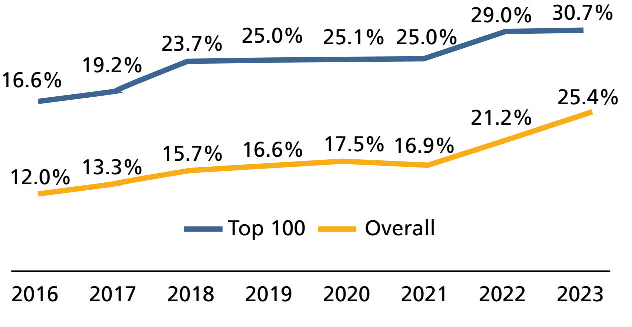
The development of LIP is in line with the SC's *Corporate Governance Strategic Priorities 2021-2023*, aimed at strengthening the ability of boards to address sustainability effectively. The Institute of Corporate Directors Malaysia (ICDM) was appointed as the service provider for LIP. On 11 and 12 July 2023, ICDM conducted a two-day virtual pilot run for LIP with the board and senior management of the SC, Bursa Malaysia, ICDM as well as the Chairman of selected listed companies. The first LIP was conducted from 7 to 10 August 2023, with 14 more sessions conducted in 2023. More than 900 directors have attended the programme this year.

Biennial regional corporate governance assessment by the Asian Corporate Governance Association

The SC held its biennial engagement with the Asian Corporate Governance Association (ACGA) on 27 June 2023 for purposes of the Corporate Governance Watch (CG Watch) 2023 assessment. The CG Watch is a regional assessment that evaluates the macro corporate governance 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 on 13 July 2020.

In December 2023, the ACGA announced the outcomes of the 2023 assessment and Malaysia maintained its 5th position among the 12 Asia-Pacific markets, with improvements recorded in six out of the seven assessment categories. Malaysia was ranked 1st in the category of Auditors and audit regulators, and came in 2nd after Australia in the category of Listed Companies as well as Corporate Governance Rules which measures listed companies' adoption of corporate governance practices and strength of corporate governance rules, respectively. The detailed individual country reports will be released by the ACGA in Q1 2024.

30% target achieved for women participation on boards of the top 100 listed companies



(As of December 2023)

On 1 June 2023, the 30% target for women participation on the boards of the top 100 listed companies was achieved. This was following the introduction of the rule to require all boards of listed companies on Bursa Malaysia to comprise at least one-woman director in May 2022, which came into effect for large listed companies (those with market capitalisation of RM2 billion and above) on 1 September 2022 and for the remaining companies on 1 June 2023. Prior to the introduction of the rule, progress was recorded, but improvements were marginal between 2019 to 2021, which necessitated the introduction of the rule. The SC continues to encourage, through the *Malaysian Code on Corporate Governance* (MCCG) for listed companies to ensure that their boards comprise at least 30% women directors, and as of 1 December 2023, 30.7% of the top 100 listed companies have achieved that target.

REVITALISING THE CAPITAL MARKET VIA FACILITATIVE FRAMEWORK

Review of the Capital Markets and Services Act 2007 and the Securities Commission Malaysia Act 1993

The SC is undertaking a holistic review of the CMSA to ensure that the securities laws remain fit-for-purpose. The review is part of the SC's efforts to modernise the CMSA and promote efficiencies to enable the capital market to remain competitive while maintaining adequate investor protection. Among the areas under review are in relation to the capital market infrastructure, licensing framework, disclosure requirements accompanying an offer of a capital market product, the approval process for corporate proposals and takeovers regulations.

The SC has engaged the various stakeholders for feedback to ensure the comprehensiveness of its review which includes industry engagements and focus group consultations. By seeking input from stakeholders across the industry, the SC would also be able to identify potential gaps and gain valuable insights into how best to improve the CMSA.

In tandem with the CMSA review, the SCMA is also being reviewed to modernise and streamline its provisions with the new CMSA. This includes ensuring that the SC is well positioned to address the fast-evolving digital advances in the capital market.

ENHANCING THE TALENT PIPELINE IN THE CAPITAL MARKET

Recognising the importance of human capital growth in the capital market, the SC continues to enhance the talent pipeline in the capital market. Besides the capacity-building initiatives in ICM such as the Islamic Capital Market Talent Development (ICMTD) Programme and the Shariah Mentorship Programme, the SC has embarked on the 3-year Capital Market Graduate Programme known as *investED*, which is in tandem with the national agenda and supported by the Ministry of Finance and Ministry of Higher Education.

ICM Talent Development Programme

The ICMTD programme is a capacity-building initiative developed by the SC and run by the Securities Industry Development Corporation (SIDC). The ICMTD programme is specially designed to facilitate the development and upskilling of graduates seeking a career in the ICM. ICMTD also offers an internship programme to selected participants, geared towards channeling fresh talent for the future development needs of the ICM. Since its inception in 2009, the programme has produced a total of 26 cohorts with 1,042 graduates.

After nearly 14 years, the ICMTD programme concludes with the last cohort in 2023, as the SC shifts from a wide-based approach to a more focused approach for talent and capacity building within the ICM.

Shariah Mentorship Programme

The Shariah Mentorship Programme (SMP) was introduced in 2023 as one of the SC's targeted strategies in capacity building to meet the specific needs of the ICM industry. At its core, SMP is designed to create a continuous talent pipeline of Shariah advisers equipped with adequate technical competencies and knowledge of ICM products and offerings and appropriate regulatory expertise. The framework and structure of SMP are designed to equip the participants with the necessary skills and resources suited for Shariah advisory roles, ensuring continued growth and relevance of Islamic finance principles on a global scale.

SMP is open to fresh graduates with Shariah background, or Shariah officers with less than two and half years of experience in Islamic finance or ICM. The programme spans eight months and will include comprehensive classes to establish strong foundational knowledge and skills, followed by an internship with industry partners for practical experience in ICM.

The first cohort for SMP commenced in October 2023 where 15 participants were chosen out of 273 applicants.

SPECIAL FEATURE 3

investED (FORMERLY KNOWN AS THE CAPITAL MARKET GRADUATE PROGRAMME)

Introduction

Malaysia's capital market has demonstrated commendable performance overall, outperforming its counterparts in emerging markets, and even comparatively doing better than some of the advanced financial markets. To enhance its competitive advantage, it is crucial for Malaysia's capital market to be future-ready and the preferred destination for investors. A sufficient pipeline of talent pool becomes increasingly necessary amid future growth needs.

At the SC Industry Dialogue 2022 and Budget 2023, one of the key concerns that was consistently raised by the capital market industry players and corporate captains was the acute shortage of skilled talent in Malaysia. This phenomenon is not unique to Malaysia or the capital market. In fact, a Korn Ferry Research (2019) projected that by 2030, there will be a global talent deficit of 85.2 million workers across the economies, and the financial and business services sector having a skilled talent shortage of 10.7 million workers. This global talent deficit could result in $8.452 trillion in unrealised annual revenue by 2030. Expect greater competition for talent.

This challenging situation is further supported by the data from the Institute for Capital Market Research Malaysia (ICMR) (2021) report, illustrating that the industry is grappling with an ageing demographic. Based on industry surveys and direct engagements we have been having with industry players, the SC found that nearly 50% of the professionals are over 50 years old. There are professionals who are in the 70-80 age bracket. The SC also observed that the percentage of the younger talents, aged 30 and below, has been decreasing over the years to only about 8%. [In 2020, Malaysia's median age is 30 years].

In an ICMR survey among CEOs of licensed intermediaries,fresh graduates were rated lower in quality than the company's existing in-house talent. This perception suggests a potential gap in industry knowledge, leading intermediaries to prefer hiring experienced workers over fresh graduates.

Establishment of investED

In addressing the talent shortage in the capital market, the SC is championing the development of a sustainable pool of skilled talent, aligning with its development mandate. The Capital Market Graduate Programme (CMGP) was initiated in collaboration with MOF and Ministry of Higher Education (MOHE), with support from industry players and universities. The project was funded under the Capital Market Development Fund (CMDF) for the value of RM30 million from 2023 to 2025, a three-year initiative.

The objective of CMGP is to attract Malaysian fresh graduates and prepare them to be ready talents for absorption into the capital market industry. This programme focuses on:

i. Creating greater awareness of the capital market industry and enhancing capacity among graduates.

ii. Building a talent pipeline of graduates for the Malaysian capital market.

The strategic collaboration among the Ministry, industry, universities, and the SC has a significant impact on the overall delivery of the programme. The institutionalise of governance structure such as Steering Committee and Implementation Committee plays a crucial role in providing guidance, monitoring the overall progress, and assessing the performance of the programme.

The three-year CMGP programme is guided by the following annual key performance indicators (KPI):

Career Fairs and Career Talks
- To organise at least 20 sessions of Career Talk for 3,000 students per year.
- To participate/organise in six Career Fairs per year.

Foundation Programme
- SIDC's Structured Programme/Certification for 800 students per year.

Leadership Programme and Job Placement
- 200 Malaysian graduates from local and overseas universities per year.

At its conclusion, the programme would ultimately benefit a total of 9,000 students and subsequently generating employment prospects for 600 graduates.

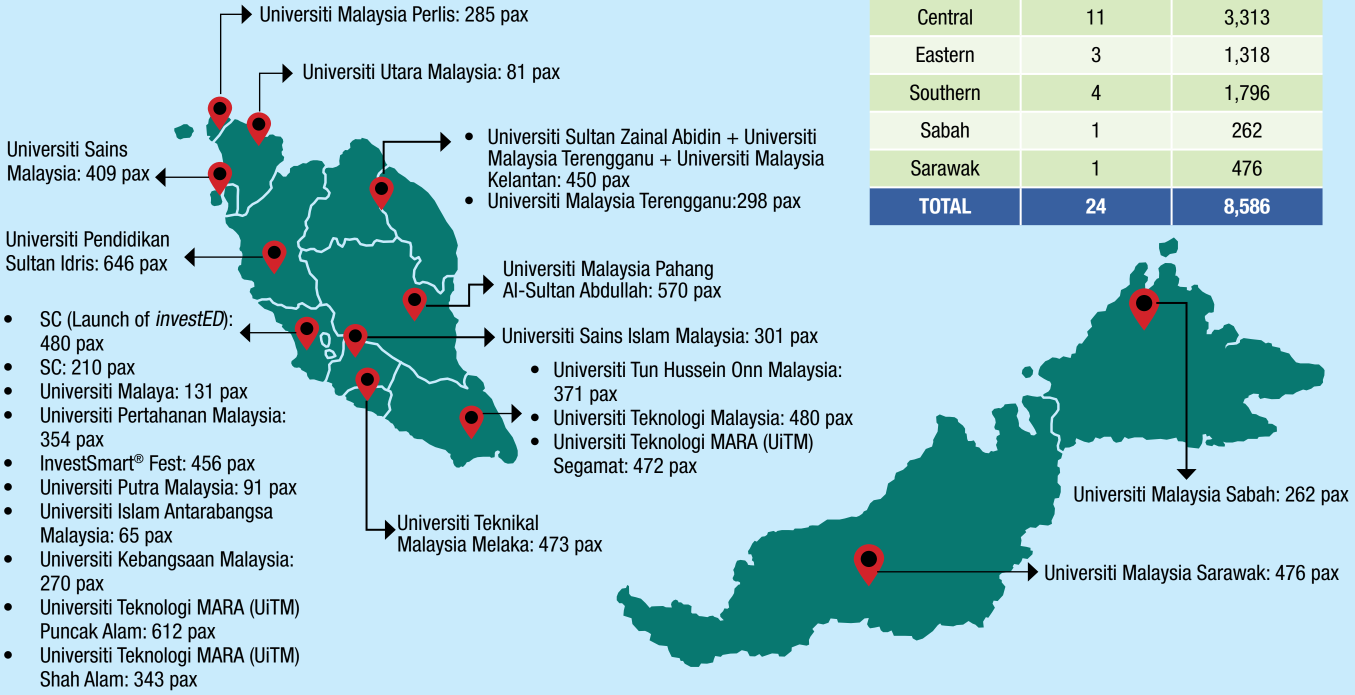
On 19 June 2023, Prime Minister Datuk Seri Anwar Ibrahim launched the CMGP under a new brand called '*investED*,' witnessed by the Minister of MOHE, Dato' Seri Mohamed Khaled Nordin, along with industry key players, ministry representatives, universities, and graduates. This event signifies a strong collaboration and commitment from all parties.

Our Progress So Far

Career Fairs and Career Talks

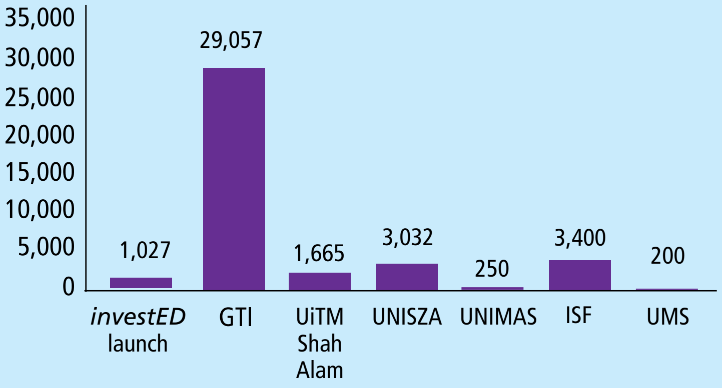
The SC strategically planned a series of six Career Fairs and 20 Career Talk sessions with the support of capital market industry key players spanning across various locations in Malaysia. To date, the SC has actively participated in seven Career Fairs and delivered 24 Career Talk sessions across Malaysia, engaging with local universities and public events. This initiative has successfully reached 8,586 students in 2023.

FIGURE 1
investED nationwide career talks



24 locations, 8,586 pax		
Zone	**Location**	**No. of pax**
Northern	4	1,421
Central	11	3,313
Eastern	3	1,318
Southern	4	1,796
Sabah	1	262
Sarawak	1	476
TOTAL	**24**	**8,586**

CHART 1
Career fair - number of attendees



No.	Institution	Quantity	Engaged
1.	IPTA	20	20
2.	IPTS (university level)	57	0
3.	GLU	4	0
	TOTAL	**81**	**20**

The career talk sessions are structured, beginning with an introduction to *investED*, followed by an overview of the SC, an inspiring iconic speaker session, and concluding with a panellist session. The speakers, representing diverse backgrounds within the capital market industry at various levels, bring a wealth of experience and insights to these sessions. Recognition and appreciation are extended to the commitment of 77 individuals who volunteered and contributed throughout all the sessions organised nationwide.

Foundation Programme

Under the Foundation Programme, the SC provides two separate certification programmes: e-Familiarisation Programme for Marketing Representatives (e-FPMR) and Certified Capital Market Professional (CCMP)-Compliance 1. The programme is available to all fresh graduates or those who graduated in less than two years. The following are the details of the two programme:

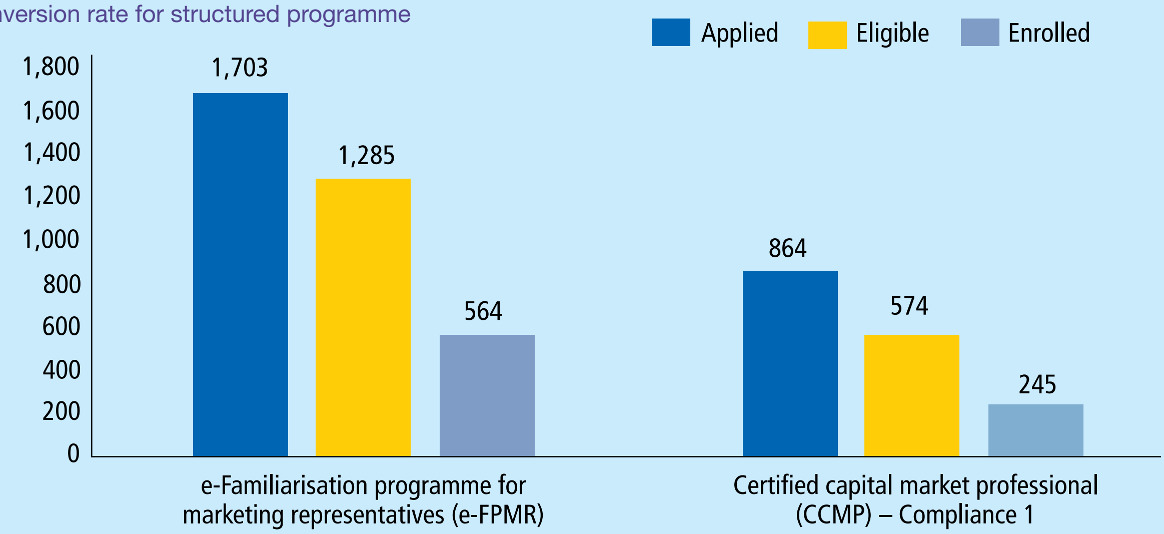
1. The e-FPMR is designed and managed by SIDC, acting as a mandatory step for individuals seeking registration as Marketing Representatives (MR).

2. CCMP-C1 is designed for those who aspire to pursue a career in compliance within the capital market.

Both certification programmes are easily accessible online through the SIDC Learning Management System. To date, e-FPMR received approximately 1,703 applications, while CCMP-C1 received a total of 864 applications. In total, 2,567 applications were received for both certification programmes. Following this, 809 individuals enrolled in both programmes. Upon successful completion, individuals who pass the assessment will receive a certificate of completion.

CHART 2

Conversion rate for structured programme



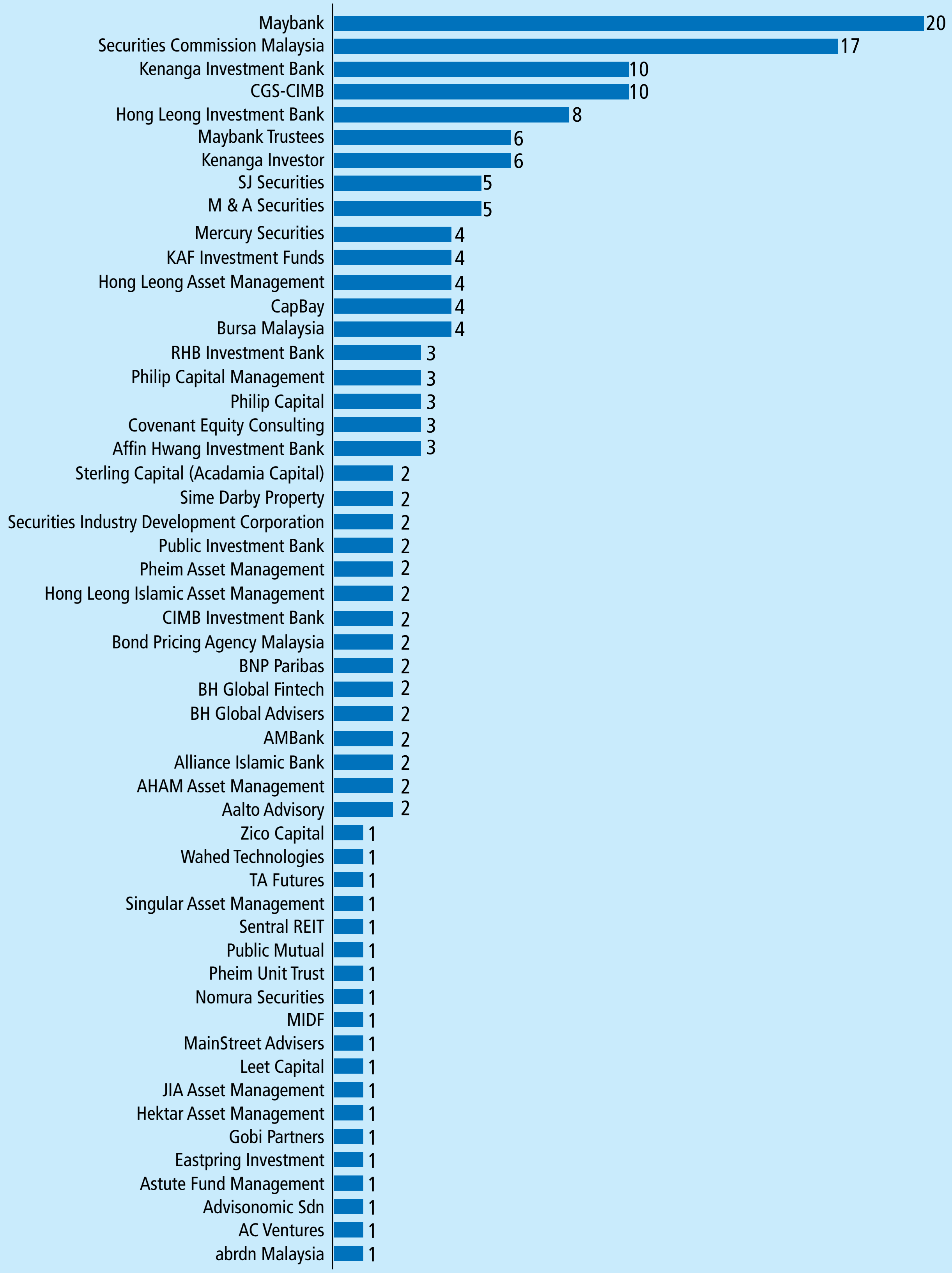
Leadership Programme and Job Placement

As part of an initiative to cultivate a diverse and highly skilled talent pool for the capital market, the SC has launched the Leadership Programme and Job Placement initiative. The programme consists of a rigorous one-month classroom training followed by a six-month on-the-job placement at collaborating companies within the capital market industry.

This programme is specifically designed to accommodate graduates from non-conventional backgrounds, such as engineering and mathematics, aiming to bring unique perspectives into the industry.

The application period for the Leadership Programme and Job Placement for the first cohort was made available from 10 April 2023 to 15 July 2023, coinciding with the signing of the MOU between the SC and MOHE. In total, the SC received more than 1,000 applications and extended enrolment offers to 275 individuals for this programme. Out of these 275 offers, 171 talents (approximately 62%) accepted, while 104 talents (about 38%) declined due to other opportunities.

CHART 3
Host companies for *investED* Leadership Programme and Job Placement

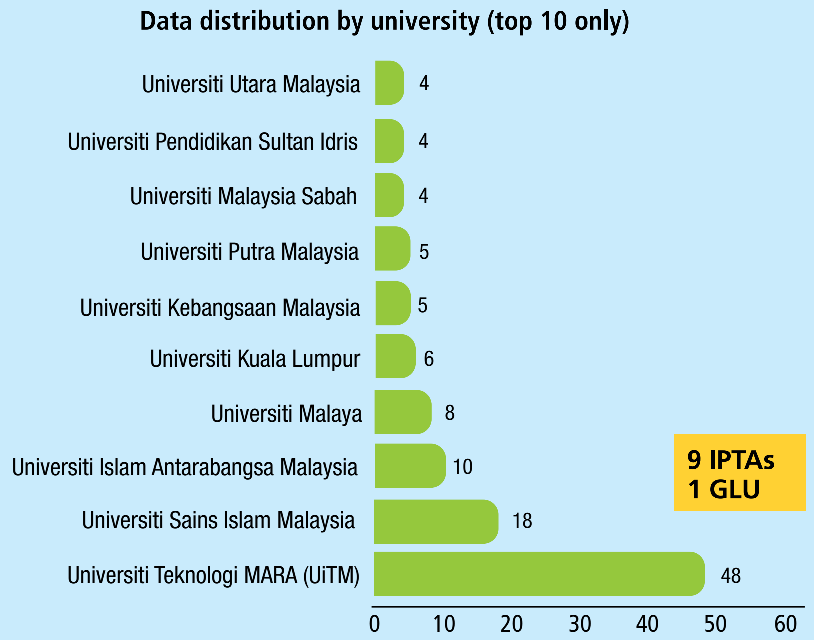


On 7 August 2023, the SC successfully inaugurated the first cohort of the Leadership Programme and Job Placement, featuring a total of 171 enrolled trainees.

In Chart 3, the list of host companies is depicted alongside the number of trainees placed at each respective company. A total of 53 *investED* partners provided placement opportunities to 171 *investED* trainees. It can be observed that Maybank demonstrated the highest commitment by hosting 20 trainees, followed by the SC with 17 trainees, and CGS-CIMB with 10 trainees.

CHART 4
Trainees distribution by higher institutions

Higher Institutions		Headcounts
IPTS	17	30
Overseas	15	14
IPTA	14	115
GLU	3	11
Polytechnic	1	1



Upon the completion of Leadership Programme and Job Placement, a total of 66 trainees have been offered full-time employment, representing 39% of the first cohort. A survey conducted among first cohort of trainees indicated that 92% would recommend *investED* to their friends and family.

Graduation of the first cohort is scheduled to take place in May 2024. The second cohort would be open for application in March 2024.

Conclusion

One of the key observations of the programme is the collaboration and commitment from all parties to ensure the programme benefits the future talent of the Capital Market. This would not be possible without the strong communication, collaboration, and commitment from the key stakeholders and the working team comprising 46 individuals (excluding on-ground support), who were instrumental in making the *investED* initiatives possible.

INTERNATIONAL ADVOCACY AND DEVELOPMENTS

Apart from developing the domestic capital market, the SC continues to demonstrate its commitment to global regulatory policymaking and international standard-setting.

As a member of the IOSCO Board, the governing and standard-setting body of IOSCO, the SC is at the forefront of global regulatory discussions and policymaking and is able to gain relevant insights into emerging regulatory issues impacting global capital markets. In addition, the SC's continuous contributions in the regional initiatives have resulted in the development and enhancement of the *ASEAN Taxonomy for Sustainable Finance*.

IOSCO APRC SME Financing through Regional Capital Markets

The SC is also an active member of the IOSCO's Asia Pacific Regional Committee (APRC). The APRC is one of four regional committees of IOSCO which focuses on regional issues relating to securities regulation in the Asia-Pacific region.

In 2023, the APRC agreed to undertake work on SME financing through regional capital markets. An APRC SME Working Group led by the SC was subsequently established, where other members include the Australian Securities and Investments Commission (ASIC), Indonesian Financial Services Authority (OJK), Monetary Authority of Singapore (MAS), Securities and Exchange Commission of Thailand (SEC Thailand), State Securities Commission of Vietnam (SSC Vietnam).

As significant drivers of Asia Pacific's economic growth, employment and innovation, SMEs face significant challenges in gaining access to financing. The work will lead to the development of a report in Q1 2024 to enhance APRC members' understanding of the current landscape of SME financing within the region, challenges related to SMEs' access to capital market financing, as well as policy measures and innovative market-based financing solutions to unlock sources of capital for SMEs through capital markets. This work is also expected to help inform the SC's efforts in strengthening its fundraising ecosystem for SMEs within the Malaysian capital market.

The ASEAN Taxonomy for Sustainable Finance

The SC continued to contribute towards the formulation of sustainable finance initiatives within the ASEAN region. This includes development of the *ASEAN Taxonomy for Sustainable Finance* (ASEAN Taxonomy) Version 2, which was launched in March 2023. Version 2 built on an earlier version of the ASEAN Taxonomy was published in November 2021.

Among the elements introduced in Version 2 were a third Essential Criteria (EC3) – Social Aspects, the completion of the Foundation Framework with a set of decision trees and guiding questions, and the introduction of the technical screening criteria (TSC) for the electricity, gas, steam, and air conditioning supply (Energy) focus sector under the Plus Standard.

The TSC released outline thresholds for the Green tier (aligned with the EU Taxonomy), as well as the Amber 2 and 3 tiers. These TSC will be adjusted over time, in line with new technological developments. This is particularly the case for Amber Tiers 2 and 3, which will become more stringent and will ultimately be settled. TSC for carbon capture, utilisation, and storage (CCUS) as an enabling sector was also developed.

Furthermore, a unique feature introduced in Version 2 is criteria governing the early retirement of coal-fired power plants, also known as coal phase-out- a first for a regional taxonomy. The coal phase-out criteria will serve to facilitate energy transition in a region that is still largely powered by coal. This signifies a groundbreaking step by the ASEAN community, highlighting its commitment to sustainable practices and the transition to cleaner energy sources. However, this classification comes with a rigorous evaluation process, subjecting coal phase-out projects to stringent assessment criteria.

The ASEAN Taxonomy has also generated significant global interest, not only as the first regional transition taxonomy to be published globally but also for its specific treatment of important aspects of transition such as coal phase-out. It also provides an important signal of the region's collective commitment towards a sustainable ASEAN and models an example of an inclusive yet credible classification system for sustainable activities that will help equalise climate outcomes across the AMS. This, in turn, will be key to attracting international investments and financial flows into sustainable projects in the region.

The SC has been working closely with fellow regulators in the region, as well as BNM to ensure the ASEAN Taxonomy is aligned with other guidelines and standards already in existence, including the SRI Taxonomy issued by the SC, and the *Climate Change and Principle-based Taxonomy* (CCPT) issued by BNM.

Version 2 of the ASEAN Taxonomy has undergone a stakeholder consultation process in the second half of 2023, which was led by the SC as chair of the ATB's Working Group on Market Facing and Resourcing. More than 1,300 stakeholders from more than 250 organisations domestically, regionally and internationally were engaged as part of this process.

The ASEAN Taxonomy has always been intended as a living document, frequently revised to account for technological, scientific, and economic developments. In that vein, TSCs for the remaining five focus sectors and two enabling sectors are currently in development and will be rolled out in phases over the next few years.

The ASEAN Capital Markets Forum released the *ASEAN Transition Finance Guidance* (ATFG) Version 1 on 17 October 2023 that addresses how an entity may assess and/or demonstrate a credible transition.

Entities looking to be considered as credibly transitioning should demonstrate two main elements: climate ambition and robustness of ability to deliver on the said ambition. Entities should also select a science-based decarbonisation pathway aligned with the objectives of the *Paris Agreement* or a credible ASEAN-adjusted scenario, if necessary.

The ATFG sets out three tiers of transition finance plans:

- Top two tiers "Aligned and Aligning" with a 1.5C trajectory and well-below 2C trajectory under the Paris Agreement, respectively.
- The third tier, where ambition fails to meet either of the two "Aligned and Aligning" tiers yet is accompanied by essential elements of a credible plan, is categorised as "Progressing".

Thought Leadership on the Global Stage

The SC has consistently strived to put Malaysia's ICM on the global stage through its thought leadership initiatives.

In 2023, the SC continued the 14th installment of the SC and the Oxford Centre for Islamic Studies (SC-OCIS) Roundtable, themed 'Investing Towards the Common Good: Impact, Stewardship, and Ethical Considerations'. This platform brought together industry experts locally and globally in Islamic finance, sustainability, and impact investing, fostering in-depth discussions on the potential of Islamic finance and the ICM to harness the benefits of impact investing.

Stemming from the collaboration of the SC-OCIS Roundtable, the SC and OCIS jointly introduced a visiting fellowship in Islamic finance at the OCIS in 2012. For the academic year 2020/2021, the SC-OCIS visiting fellow under the Scholar in Residence programme published a report in September 2023, which adds to the literature and research on the topic of public policy, insolvency and the application of *maqasid al-Shariah* for evaluating secular policy initiatives.

Alongside the strategic collaboration with OCIS, the SC and World Bank reconvened its annual conference in November 2023 following a three-year hiatus due to the pandemic. The collaboration between the SC and World Bank stemmed from a shared objective to foster the growth of Islamic finance and ICM.

Since 2017, conferences under the flagship name SC-World Bank Conference focuses on themes revolving on public-private partnerships, sustainability and green finance, and social impact investment through financial innovation. The collaboration with the World Bank has solidified the commitment to advance the development of ICM and strengthened Malaysia as one of the leading jurisdictions in championing the sustainability and impact agenda.