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An Overview Of The Capital Market Masterplan 3

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Recently, Securities Commission Malaysia (SC) launched its third Capital Market Masterplan (CMP3), which serves as a strategies framework for the growth of Malaysia's capital market for the next 5 years (i.e. 2021 to 2025).

This alert summarises the chapters in the CMP3.

Review Of The Capital Market Masterplan 2

Over the last decade, the global economic and financial landscape have observed several key events such as Brexit, US-China trade tensions as well as the COVID-19 pandemic. These events have led to economic and political uncertainty. Despite the global challenges, the Malaysian economy continued to perform in tandem with the wider Asian region prior to the pandemic. This could well be attributed to the collaborative effort of SC, Bursa Malaysia Securities Berhad (Bursa Securities) as well the Malaysian Government.

In enabling greater accessibility for small and emerging companies to fundraise, new fundraising alternatives such as equity crowdfunding, peer to peer financing and initial exchange offering were introduced in Malaysia. In addition, the establishment of the LEAP market and enhancement of listing transfer framework from the ACE Market to the Main Market have also contributed to the increase in IPO listings of Mid and Small Cap (MidS) companies.

SC, Bursa Securities and Bank Negara Malaysia have also introduced various investor education initiatives to empower the Malaysian public. These include annual InvestSmart® Fest, #FinPlan4U free financial planning clinics, seminars, online webinars, Bursa Marketplace and Bursa Academy.

Following previous financial crises, efforts have also been made for early identification of systemic risks. For instance, the Macro-Prudential Surveillance Framework was established to identify vulnerabilities in the capital market, regulatory laws such as Securities Commission Act 1993

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(SCA) and Capital Markets and Services Act 2007 (CMSA) were enhanced, a dedicated risk supervisory group was set up to focus on systemically important financial institutions and the Systemic Risk Oversight Committee was also established to oversee systemic risks and co-ordinate market crisis management issues.

Positioning Ahead

Over the next 5 years, SC foresees the Malaysian capital market to grow in relevance with the economy and its stakeholder, to be more efficient in mobilising capital into productivity sectors of the economy as well as having greater diversity in the market to create value for both investors and issuers.

In order to facilitate development of the capital market, SC is aiming to:

- Catalyse competitive growth with greater fundraising efficiency for companies across their business lifecycle, enabled by competitive markets and intermediation.
- empower investors for a better future with accessible and quality investment advice and greater diversity for emerging needs through a digitally inclusive ecosystem.
- shape a stake holder economy with effective capital mobilisation through sustainable and responsible investment (SRI) and Islamic Capital Market (ICM) solutions to sustainable, responsible and stakeholder-oriented business.

Further, SC also recognises the potential threats in systems and is looking into the following regulatory approaches:

- embed shared accountability in the capital market to promote responsible businesses, industry self-regulation and investor advocacy, underpinned by principles-based regulations.
- prioritise efficiency and outcomes in protecting investor vulnerabilities, with a fir-for-purpose regulatory

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architecture as well as effective supervisory and enforcement approach.

- embrace the digital age with the industry, as they navigate through regulatory technology (RegTech) and emerging technology risks, while enhancing the SC's digital capabilities.

Enabling A More Relevant Efficient And Diversified Market

The capital market plays a vital role in providing tailored and effective funding options to catalyse the growth of companies across stages of their development. New avenues such as simple agreement for future equity notes, Angel Fund and Angel Syndication List are among the initiatives for early-stage financing. Besides, SC is also looking into introducing new intermediary models to make bonds market available for MidS companies.

In empowering Malaysian investors to invest for a better future, investment options have been widened across investor segments. For instance, the portfolio account management schemes will be introduced within private retirement scheme to accommodate the needs of investors in different stages of life. In addition, SC is also seeking to facilitate greater collaboration with market participants to enhanced digital savviness within domestic elderly and rural investors.

Previous efforts have laid a good foundation for SRI offerings in Malaysia and orderly growth of the ICM. To facilitate the growth of micro, small and medium enterprises in the halal sector, the SC will collaborate with the relevant stakeholder of the halal economy to develop guidance to incorporate Shariah requirements and best practices in environment, social and governance for public listed companies. Efforts will also be made to facilitate innovation in Islamic fintech through regulatory guidance and accelerator programmes.

Evolving The Regulatory Approach

SC and all participants of the capital market ecosystem share responsibility and accountability to uphold the integrity of the

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We are a full-service commercial law firm with a head office in Kuala Lumpur and a branch office in Penang. Our key areas of practice are as follows:-

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capital market. Following the past movement control orders, SC will continue to encourage the adoption of digital tools in promoting shareholder activism and stewardship. Further, SC is also seeking to calibrate supervision and enforcement approaches to make provisions for principles-based regulations.

Over the next few years, SC is looking to implement more protective measures for vulnerable investors, particularly senior investors who face a greater risk of becoming victims of fraud. Other than that, SC and the Audit Oversight Board have also initiated efforts on supervisory technologies to improve monitoring of key risk indication and enhance supervision of the market product.

While digital revolution has brought new experiences for market participants, it also comes with it emerging risks, among which include cyber risk, risk of data breach and AI-bias. In recognition of the potential threat, SC will be catalysing RegTech innovation through collaboration with other regulators, market participants and ecosystem players to strengthen intelligence capabilities and enhance preparedness against potential breaches and imminent threats. SC will also continue to automate regulatory workflows to realise greater operational efficiencies.

Conclusion

In a nutshell, CMP3 places great emphasis on digital adoption, be it in accepting new funding alternatives or incorporating preventive measures in the capital market system. Inevitably, we will be observing a growing acceptance of digital assets in the country within the next few years. Nonetheless, all participants of the capital market will need to work hand in hand to transition Malaysia into becoming a high-income economy country.

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