

Press Release

Kuala Lumpur, 5 March 2015

Malaysian capital market grew to RM2.76 trillion in 2014

- *RM91.9 billion raised through private debt securities and initial public offerings*

The Malaysian capital market grew to RM2.76 trillion in 2014, equivalent to 2.6 times the size of the Malaysian economy, and remained resilient in an environment of global uncertainties, said the Securities Commission Malaysia (SC) in conjunction with the release of its annual report.

The capital market continued to be an important source of financing for the economy, with RM91.9 billion raised through initial public offerings and private debt securities (PDS). Capital-raising exceeded RM90 billion for the third consecutive year, illustrating the capital market's deepened capacity to meet Malaysia's real economy financing needs.

Malaysia affirmed its global leadership in the Islamic capital market, having grown at an average of 12% per annum over the last five years to RM1.59 trillion in 2014, accounting for 58% of the capital market. By end-2014, 74% of Malaysian listed companies were classified as shariah-compliant with market capitalisation of more than RM1 trillion. Malaysia also retained its position as the largest sukuk market in the world, accounting for 66% of global issuances.

Fund management continued to be the fastest-growing market segment with assets under management (AUM) surpassing the 600-billion ringgit milestone for the first time to reach RM630 billion (+7.1%) by year end. Islamic AUM grew to RM111 billion from RM98 billion in 2013, reflecting the industry's ability to develop under Malaysia's facilitative Islamic capital market environment.

Growth was driven by the expansion of channels for managed investments, with the net asset value of the unit trust industry growing to RM343 billion – the largest in Southeast Asia. The nascent Private Retirement Schemes (PRS) segment, which more than doubled its AUM and membership to RM716.1 million and 128,977 members respectively, forms the third pillar of Malaysia's pension framework and is poised to become an area of future growth in the investment management industry.

The operationalisation of the ASEAN Framework for Cross-border Offering of Collective Investment Schemes also enabled Malaysian investors and fund providers greater access to opportunities in the ASEAN region and serves as another driver for growth.

Promoting fair and efficient markets

In 2014, the SC embarked on the first phase of a comprehensive regulatory review to enhance efficiencies and promote greater competition in the capital market. The first package of reforms resulting from this review comprises a revamp of the wholesale market framework, including the liberalisation of corporate bond and wholesale product approvals through the SC's upcoming Lodge and Launch (LOLA) framework, as well as revisions to the licensing regime which allow for new classes of market participants such as boutique fund managers and alternative market operators. At the same time, investor protection was heightened through regulatory amendments in areas such as disclosures and takeovers and mergers.

To foster compliance and enable early detection of systemic risk, the SC further broadened the perimeter of its market surveillance activities and strengthened the existing oversight framework for auditors and public-listed companies (PLCs). Supervisory efforts focused on the governance of market institutions and intermediary conduct as well as their capacity to manage risks emerging from threats to cyber-security and the financing of illicit activities.

To safeguard market integrity and deter potential misconduct, the SC continued to deploy its full range of enforcement powers against those responsible for committing breaches of securities laws and regulatory non-compliance. Underscoring the severity with which it regards market abuse, the SC filed 63 criminal charges against two PLC directors, a chief executive officer and a remisier for insider trading offences with the High Court also affirming the conviction and imprisonment of two former PLC directors for market manipulation.

Promoting active and informed investor participation

The enforcement of regulatory discipline in the capital market was complemented by SC's efforts to strengthen levers of self-and market discipline through corporate governance. The launch of the Malaysian Code for Institutional Investors – the first in Southeast Asia and second in Asia as well as emerging markets – marked a watershed moment for investor activism in the country with signatories voluntarily pledging to harness their influence in strengthening the governance culture of investee companies and the capital market ecosystem.

SC's sustained efforts to strengthen corporate governance in Malaysia, which include encouraging greater board diversity and profiling well-governed companies through the ASEAN Corporate Governance Scorecard, among others, have been highlighted in a number of recent international assessments, with the ACGA-CLSA CG Watch 2014 commending Malaysia as one of the few markets which have shown consistent improvement in corporate governance.

To encourage broader and more informed retail investor participation, the SC has launched the InvestSmart™ education and outreach campaign comprising a suite of programmes tailored to engage investors throughout Malaysia across multiple platforms. By connecting with investors on platforms such as Facebook, Twitter and a mobile app, in addition to on-going roadshows and workshops, the SC aims to expand its reach across all segments of the investing public, particularly the younger and more tech-savvy demographics.

Expanding investment avenues

Developmental efforts in 2014 focused on enhancing the capital market's capacity to support growth in the real economy by expanding access to capital market financing for smaller and innovative businesses while also facilitating sustainable and socially responsible investments.

Recognising the role of small and medium enterprises (SMEs) in spurring job creation and economic growth, the SC has developed the SME Investment Partners programme which enables SMEs to obtain non-collateralised financing and management expertise from a pool of qualified private investors. The formulation of a framework for equity-based crowdfunding also illustrates SC's on-going efforts to establish a regulatory safe harbour for financial innovation.

The launch of the Sustainable and Responsible Investment (SRI) sukuk framework provided impetus for greater availability of investible assets for investors, and capitalised on synergies from the close alignment between the principles of socially responsible investment and the ethics of Islamic finance. Initiatives to enhance the SRI information architecture, such as the introduction of the Environmental, Social and Governance (ESG) index and on-going efforts to encourage the adoption of integrated reporting in Malaysia also collectively facilitate the profiling of SRI to both the domestic and international audience.

Moving forward

To achieve greater regulatory efficiency, SC will undertake a review of primary market regulations regarding capital-raising, disclosure and retail fund approvals. To accelerate the internationalisation of the Islamic capital market, the SC will also develop a blueprint to enhance Malaysia's Islamic fund and wealth management value proposition which will be released by the end of the year. At the same time, the SC will continue to broaden financing avenues and build greater scale across market segments, including intensifying efforts to broaden and increase PRS participation.

To effect the regulatory streamlining and market development efforts pursued in 2014, the following guidelines shall be released on Monday, 9 March 2015:

- Guidelines on Unlisted Capital Market Products under the Lodge and Launch (LOLA) Framework
- Guidelines for Private Equity and Venture Capital

Further initiatives to be progressively implemented over 2015 include measures to shorten approval turnaround time for funds, including the release of a Fund Disclosure Guide, and facilitate expansion of business models including new categories of licences for boutique fund management companies and broadening the range of permissible activities for fund management companies, which allows them to provide investment advice to clients via advisory mandates. The SC will also issue new categories of licences for dealing in securities for new business structures leveraging on technology.

As the current chair of the ASEAN Capital Markets Forum (ACMF), the SC will continue to drive the ASEAN capital market integration agenda while promoting inclusive access for Malaysian investors, issuers and market intermediaries to opportunities arising from greater regional interconnectivity.



Securities Commission Malaysia (SC) Executive Team at the launch of SC's Annual Report 2014

SECURITIES COMMISSION MALAYSIA