



Opening Remarks
Dato' Mohammad Faiz Azmi
Chairman, Securities Commission Malaysia
SCxSC Fintech Summit 2024
'Where Innovation Meets Purpose'
1 October 2024

Key Highlights:

In his opening remarks, SC Chairman, Dato' Mohammad Faiz Azmi stressed the importance of innovation to address the evolving needs related to climate change, social inclusion, new growth sectors, and demographic shifts. He added that industry stakeholders must harness technology to build an inclusive, accessible, efficient and sustainable capital market.

Here are highlights from his opening remarks:

1. There is potential to further democratise investment ownership while also maintaining an element of investor protection.
2. Businesses can see innovation in fundraising. Credit assessments can be revolutionised with artificial intelligence.
3. Blockchain-based utility tokens create new fundraising opportunities by offering investors access to products or services in exchange for tokens.
4. 3 new initiatives were announced to promote responsible innovation:
 - i. The SC's Regulatory Sandbox. This will adopt a cohort-based approach, with applications for the first cohort open until April 2025.
 - ii. The SC is enhancing its regulatory framework to encourage securities tokenisation.
 - iii. The SC is collaborating with Khazanah Nasional to explore the issuance of tokenised bond.

Full Speech:

Board members and Senior Management of the SC

Distinguished guests, speakers and presenters

Members of the media

Ladies and gentlemen,

Assalamualaikum warahmatullahi wabarakatuh, and a very good morning.

1. Welcome to **SCxSC Fintech Summit 2024 – Where Innovation Meets Purpose.**
2. Today, we stand at the forefront of a new era in finance, bringing together visionaries and changemakers, financial professionals, policymakers, fintech and Web3 communities and technologists from Malaysia and across the region.
3. Our presence here today is a testament to our shared commitment to reshape the future of finance – one that is more inclusive, sustainable and driven by purposeful innovation.

Overview

4. At its core, the capital market exists to drive economic development and mobilise savings for the benefit of society.
5. We face unprecedented challenges — economic headwinds, climate change, geopolitical tensions, and an ageing population. Our goals include limiting global temperature rise to 1.5°C and achieving net-zero emissions.
6. Malaysia's Ekonomi MADANI framework emphasises the restructuring our economy for competitiveness and sustainability.
7. Innovation, therefore, is key to addressing these needs. Our capital market, which now stood at RM3.95 trillion, must adapt to evolving needs related to climate change, social inclusion, new growth sectors, and demographic shifts.

SC's Digital Agenda

8. The SC is committed to purposeful innovation through digital initiatives that enhance access to financing, democratise investor participation, and strengthens the efficiency of institutional markets.
9. Our current fintech ecosystem includes Equity Crowdfunding (ECF), Peer-to-Peer (P2P) financing, Digital Investment Managers (DIM), the e-Services Platform (eSP), Digital Asset Exchanges (DAX), and Initial Exchange Offerings (IEO).
10. These innovations have expanded investor access to new asset classes and supported Malaysia's entrepreneurship agenda.

The Coming Wave

11. To move forward, we must be open to harness emerging technologies like Artificial Intelligence (AI) and tokenisation.
12. **First, many see potential to further democratise investment ownership while also maintaining some element of investor protection.** AI-powered investment advice can be personalised at scale, giving a broader range of investors access to personalised financial guidance that was previously limited to wealthier or institutional segments. It would have access to analyst and other reports and be able to provide information for investors to make a decision.
13. This process can be supported by the use of smart contracts to own tokenised or fractional securities. This will make ownership easier and doesn't rely on bank or stock broking intermediaries
14. **Secondly, businesses can see innovation in fundraising. Credit assessments for example can be revolutionised with AI** – imagine all the data, both traditional and non-traditional, including behaviour patterns, that may be used to make more accurate evaluations and better risk pricing. That is not necessarily a bad thing as better data may lead to better outcomes.

15. Blockchain-based utility tokens create new fundraising opportunities by offering investors access to products or services in exchange for tokens. With this approach, there are more ways than ever to connect with investors and customers.
16. **Lastly, scaling market efficiency.** Tokenisation, a key component of the Finternet, published by BIS (Bank of International Settlement) involves representing assets on the blockchain. This makes financial services more accessible and affordable for individuals and businesses and also encourages fractional ownership, enhanced transparency, and efficient settlement.
17. The applications of AI for market efficiency are vast. There is immense potential to revolutionise fraud detection amidst the prevalent threat of scams, significantly enhance risk surveillance across a broader spectrum of data points, and streamline the efficiency of trade executions.

SC's Approach to Innovation

18. The transformative potential of technology is still unfolding. We must harness it to build an inclusive, accessible, efficient, and sustainable capital market.
19. As economist Robert C. Merton said, "Financial innovation does not occur in isolation. Its development and specific forms are significantly influenced by the surrounding institutional and regulatory environment."
20. Our approach to innovation extends beyond policymaking. Through initiatives like FIKRA ACE, aFINity, DIGID, and GROW, we proactively incubate, co-fund and facilitate new business models.
21. This year, we have expanded SCxSC to foster greater engagements. We have held over 10 events, including leadership dialogues, policy roundtables, pitching sessions, hackathons, and more, focused on AI, tokenisation, cybersecurity, and RegTech.
22. To encourage greater capital market innovation, we need to experiment.

Three New Initiatives for responsible innovation

23. In line with that, I am pleased to announce three new initiatives to promote a responsible innovation.
24. **First, the SC's Regulatory Sandbox:** Given the rapid emergence of innovative products and services, we have seen proposals that challenge the boundaries of our existing regulatory framework.
25. The sandbox offers a controlled environment where market players can experiment with new ideas while we maintain investor protection.
26. The Sandbox will adopt a cohort-based approach, with applications for the first cohort open until April 2025. We invite innovative proposals, particularly in financial inclusion, retirement solutions, sustainability and Islamic finance.
27. Tokenised solutions that fulfil the necessary criteria may also be tested in the sandbox.
28. **Second, we are enhancing our regulatory framework to encourage securities tokenisation.** A guidance on tokenisation will be issued to help intermediaries understand and manage associated risks.
29. **Third, we are collaborating with Khazanah Nasional to explore the issuance of tokenised bond.** By exploring the use of smart contracts and custodial arrangements, we aim to develop forward-looking policies that support the future of the capital market.

SCxSC Fintech Summit 2024

30. Over the next two days, we have lined up exciting programmes at this Summit. We will explore AI and blockchain in impact investing, RegTech, digital assets, tokenised securities and innovation in Islamic finance through our FIKRA ACE programme.
31. This event is made possible by the support of fellow regulators such as Bank Negara, industry players, associations, and numerous other stakeholders. My sincere gratitude to our sponsors, community partners, exhibitors, speakers, and the media for their contributions and support.

32. In closing, let me implore you to push the boundaries of what is possible. As we gather here at the Summit, let us not just be participants of an event, but architects of the future of finance.

33. With that, I wish everyone productive and meaningful discussions.

34. Thank you.