



Welcome Address

By Dato' Seri Dr. Awang Adek Hussin, Chairman

Securities Commission Malaysia

Bond and Sukuk Trustees Forum 2023

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Highlights

Dato' Seri Dr. Awang Adek Hussin, Chairman of the Securities Commission (SC), set the tone for the Bonds and Sukuk Trustee Forum 2023 event with his opening speech. He highlighted the crucial role that trustees play in ensuring compliance and protecting investors' interests in the bond and sukuk markets. The importance of transparency, accountability, and good governance was emphasised as key to maintaining investor confidence.

He also said that **"The growth, integrity and leadership of our market in the region must be at the heart our commitment and responsibility as key market players and participants."**

The chairman also mentioned the need for all market participants to embrace digital transformation as a means to stay relevant in the current, ever-changing landscape. In today's digital age.

Here are some highlights from his speech:

- The primary role of a trustee is to act as an intermediary between issuers and investors, and to ensure that investors' interests are safeguarded.
- Bond and sukuk trustees should concentrate on raising their professional standards and creating better service offerings in order to keep up with the growth of the bonds and sukuk market.
- Significant changes in the way services are provided are expected with the transformation of technology today, with the underlying goal being to enhance transparency and accountability in the provision of cost-effective services for issuers and investors, saving them time and reducing the risk of errors.
- Regtech, or regulatory technology, is becoming increasingly important in the financial industry, particularly among trustees, as they face an increasing number of regulatory requirements and increased investor scrutiny. By leveraging regtech solutions, bond

trustees can streamline compliance processes and enhance their risk management capabilities.

Speech:

Assalamualaikum warahmatullahi wabarakatuh

Selamat pagi dan salam sejahtera.

1. Pertama sekali, saya ingin merakamkan ucapan terima kasih kepada Persatuan Syarikat Amanah Malaysia (Association of Trust Companies, Malaysia) kerana sudi menganjurkan Forum Pemegang Amanah Bon dan Sukuk 2023 bersama dengan Suruhanjaya Sekuriti Malaysia (SC).
2. Saya bagi pihak SC mengalu-alukan kehadiran tuan-tuan dan puan-puan untuk sesi pada hari ini. Saya ingin juga merakamkan penghargaan kepada semua penceramah dan ahli panel yang telah meluangkan masa untuk menyertai program ini.

Ladies and gentlemen,

3. Let me start by sharing an overview of the Malaysian bond and sukuk market. As you are aware, the Malaysian bond and sukuk market is one of the most developed and largest markets in the region.
4. With a total outstanding value of about RM1.9 trillion, it represents more than 50% of the size of the Malaysian capital market. Corporate bonds and sukuk make up 42% of the total outstanding value.
5. Despite various pandemic challenges, as well as post-pandemic that include global monetary policy tightening, recession fears and geopolitical tensions, the Malaysian corporate bond and sukuk market has continued to grow, with the total outstanding increasing to RM811 billion as at April 2023 compared to the pre-pandemic level of RM717 billion in 2019.

6. This is a testament to the resilience and strength of the Malaysian bond and sukuk market. And as our economy continues on its recovery path, we can expect the market to thrive and grow further.

Importance of Bond & Sukuk trustees

Ladies and gentlemen,

7. With the continued growth of the bond and sukuk market, it becomes even more important for trustees to continue to focus towards increasing the level of their professional standards and develop greater capabilities.
8. This includes leveraging on technology to better undertake their role to protect investor interest, and to act as intermediaries between issuers and investors more effectively.
9. By ensuring investors' interests are safeguarded, trustees can also inspire greater confidence in the market by making sure that all terms and covenants in the trust deed are enforced, including ensuring payments are made as scheduled and appropriate actions are taken on behalf of investors as and when required.
10. It is also worthy to note that while the appointment of a trustee is not required under the law for government-guaranteed bonds and sukuk, 60% of such issuances have trustees as part of the offering structure.
11. This clearly shows the recognition made by market players on the important role that trustees play to protect investors' interest in bond and sukuk issuances.
12. As part of our initiatives to empower trustees so they can further strengthen their role in the bond and sukuk market, the SC has released the revised Guidelines on Trust Deeds in 2020. A key amendment to the Guidelines is raising the sum of money available to the Trustee's Reimbursement Account ("TRA") from RM30,000 to RM100,000.

13. This will increase the funds available to trustees, whenever there is a need to act in an event of default, and to ensure that trustees have adequate resources to perform their duties. This amendment is a positive step towards improving the overall effectiveness and efficiency of trustees.

Digitalisation

Ladies and gentlemen,

14. Buzzwords like “Big Data”, “Industry 4.0”, “A.I”, and “Blockchain” have captivated the financial and capital markets across the world. Technology has transformed every aspect of our lives, and the financial industry is no exception.
15. In light of this development, the SC is also moving ahead with its digital agenda to help increase investor participation and develop a capital market ecosystem that is more synergistic across all segments.
16. The trustee industry is no different, and with the advent of digitalisation, we can expect to see significant changes in the way bond trustee services are offered.
17. These changes will lead to more efficient and cost-effective services for issuers and investors, which will save time, reduce risk of errors, as well as enhance the level of transparency and accountability.
18. Therefore, trustees must be prepared to invest in digital tools to remain relevant and competitive. In this digital age, it is important to retain the ability to be flexible while continuing to meet regulatory obligations.
19. This is where the adoption of Regulatory Technology or “Regtech” will be critical towards enhancing compliance efficiencies. To keep up with compliance needs, I urge all of you to increase RegTech adoption as businesses and operations become more globalised and cross border transactions are becoming more prevalent. From the SC’s perspective, we also intend to leverage on Supervisory Technology or “Suptech” in order to enhance our engagement with market participants as well as ensure effective management of key market risks.

20. Moving forward, trustees should explore and leverage on relevant digital solutions, including for regulatory reporting, compliance checks, cyber security risks, data privacy standards and risk analytics. This will ensure that they stay ahead of the curve.

Collaborative journey between the SC and ATCM

21. As you are aware, the SC is committed to increasing our collaborative efforts with industry stakeholders to facilitate further development of the Malaysian capital market.
22. We review our policies, rules and guidelines on regular basis to keep up with the everchanging capital market landscape.
23. We remain open to feedback and welcome suggestions from market participants, including trustees, to help us improve, develop and grow the Malaysian bond and sukuk market.
24. This approach also ensures that our policies, rules and guidelines remain relevant and effective in promoting a healthy and sustainable bond and sukuk market.
25. I am pleased to note that ATCM has been at the forefront of promoting the trust industry in Malaysia, and its efforts has indeed contributed to the growth and development of the industry.
26. ATCM has also given its members a platform to share knowledge and best practices, as well as to collaborate and learn from one another which has helped to raise professional standards among trustees.
27. During the MCO periods in 2021, we hosted the SC-ATCM Bond Trustee Webinar to better understand the role and emerging challenges of bond and sukuk trustees.
28. In today's joint event, we have panellists lined up to discuss about the new digital landscape and its requirement. We have Shook Lin & Bok, one of the largest law firms in Malaysia, to present their views on the responsibilities of board of directors of trustee companies, and the challenges they face in exercising their duties.

29. I would therefore like to encourage all of you to share your experiences and explore new ideas that can contribute towards further development of the bond and sukuk market.

Conclusion

Ladies and gentlemen,

30. As all of you would know, investors can be selective on the trustee identified by the bond or sukuk issuers, and we have seen in the past, the choice of trustee can potentially be a deal breaker for issuers.
31. Operating in a market-driven environment, trustees must continue to represent and convince investors that they are up to the task of protecting their best interests.
32. Trustees with strong reputation for their high level of professionalism can command good premium for their services, while those who fall short of expectations run the risk of becoming marginalised.
33. In this regard, I would like to re-iterate the important role trustees play in our bond and sukuk market in ensuring what was agreed at the point of issuances are adhered to by issuers, and any non-compliances are addressed swiftly and effectively to protect and preserve investors' interest.
34. And where there are doubts, do come forward and talk to us through various communication channel that you already have with our supervision and development teams. After all, we do share a common interest of maintaining the highest level of confidence in the integrity of the bond and sukuk market.
35. The growth, integrity and leadership of our market in the region must be at the heart our commitment and responsibility as key market players and participants.
36. On that note, thank you for being here today and I hope you will find the sessions engaging and productive.
37. Sekian, terima kasih.