



Opening Remarks
Dato' Seri Dr. Awang Adek Hussin
Chairman, Securities Commission Malaysia
Catalyst series: Industry Dialogue on Corporate Innovation
13 June 2024

Key Highlights:

In his opening remarks, SC Chairman, Dato' Seri Dr. Awang Adek Hussin, emphasised the importance of corporate innovation for corporates to remain competitive and relevant. He also announced the launch of the *Practical Guide on Venture Capital and Private Equity in Malaysia* (VCPE Guide), which will help readers understand the operation of VC and PE fund management in Malaysia.

Here are highlights from his opening remarks:

1. Establishing strong foundations is important for the success of corporate innovation programmes and fostering sustained engagement with the startup community.
2. The SC's efforts in promoting corporate innovation align with the broader strategy to develop a comprehensive market-based financing spectrum for corporates and SMEs, supporting the the objectives of the KL20 Action Plan.
3. The SC conducted a Corporate Innovation Survey as a 'temperature check' on the state of corporate innovation among PLCs.
4. The respondents of the survey represent approximately 36% of the FBM 100 Index's market capitalisation, or RM482 billion. Among the key observations, 70% of the respondents believe their company is reasonably well-prepared for innovation.
5. The VCPE Guide provides practical information on local capital market regulations for VC and PE managers, foreign exchange policy, tax matters, fund structuring considerations and other areas critical to fund operations.
6. The SC remains committed to foster corporate innovation through the 'Catalyst' series.

Full Speech:

Bismillahirrahmanirrahim

Mr. Ng Sai Kit, Chairman of MVCA,

Distinguished guests, ladies and gentlemen,

Assalamualaikum warahmatullahi wabarakatuh and good morning.

1. Welcome to the inaugural Catalyst event today, an initiative by the SC to cultivate connections and peer sharing within the corporate community. This series marks the beginning of a journey where we will explore how businesses can leverage corporate innovation to drive growth and foster important connections.
2. In a dynamic world of corporate innovation, corporate venturing or CVC is an important strategic tool for companies to experiment with cutting-edge technology and stay ahead of competition. As highlighted in the SC's Capital Market Masterplan 3, CVC is a key deliverable to facilitate market-based financing via corporate participation. Corporates are an important pillar of our capital market ecosystem, mobilising the flow of investment into early and growth-stage firms.
3. The SC, via its affiliates, has conducted several CVC capacity-building programmes in the past two years. The government has also supported corporate venturing via attractive tax deductions for qualifying investments. While some companies that are already embracing this strategy have made progress in this area, we need to build a bridge for the majority that are just starting in the innovation journey, and those that have yet to obtain buy-in from their management and board to execute a CVC programme. We also received feedback which highlighted the need to identify strategic partners to build a viable corporate innovation programme.
4. Recognising this, today, we will take a step back and focus on the fundamentals, of corporate innovation. As highlighted by Boston Consulting Group BCG¹, corporates

¹ BCG, "Innovation Systems Need a Reboot" report. June 2024.

have now placed the highest priority on innovation, and yet most are not ready to deliver on their aspirations. Innovation readiness is also down across elements of the innovation system that align with the corporate value creation agenda. Establishing strong foundations is important for the success of corporate innovation programmes, so is fostering sustained engagement with the startup community. We are grateful for the support of Bursa Malaysia, Plug and Play and Antler, who will share their valuable insights with us today.

Corporate Innovation and Market-based Financing

Ladies and gentlemen,

5. Corporates are crucial players in a vibrant startup ecosystem. Startups are one channel for corporates to pursue innovation and embrace disruptive technologies. By investing in R&D or partnering with universities and startups, they can combine resources, market access, and established networks with the agility and fresh ideas of startups. This creates a virtuous cycle of innovation, talent and investment, fueling economic growth. As the saying goes, “every problem is an opportunity in disguise”, and in this ecosystem, we find countless opportunities to drive innovation forward.
6. As highlighted by Preqin², trade sales currently and historically account for the highest proportion of aggregate VC deal exits. Corporates are often the acquirers in trade sales, which amplifies the role they play in creating win-win situations. Corporates can drive their own innovation via the acquisition of startups while facilitating exits for VC managers. This in turn enhances the vibrancy of our private markets and startup funding ecosystem.
7. Our efforts in promoting corporate innovation align with the broader strategy to develop a comprehensive market-based financing spectrum for corporates and SMEs. This supports the objectives of the KL20 Action Plan, which aims to position Kuala Lumpur as a top 20 global startup hubs. Under the Action Plan, startups in Malaysia have indicated a gap in availability and access to growth capital. From a funding lens,

² Preqin, “*Preqin 2024 Global Report: Venture Capital*”.

the success of KL20's vision depends on two key outcomes: the first being access and availability of funding to startups at all stages, and the second, in-market investment capabilities to channel funds to the right opportunities.

8. These combined efforts from SC and other government initiatives will not only increase available funding for SMEs, but also encourage innovation among corporates through partnerships and investments in startups with breakthrough ideas and products.
9. Innovation is a long-term game that requires a cultural shift, risk taking and an environment that nurtures creativity. Leaders play a crucial role in driving this change by setting clear visions, providing the necessary resources, and creating a culture that encourages out-of-the-box thinking.

Corporate Innovation Survey and Sessions

Ladies and gentlemen,

10. Today is an opportune moment to have a "temperature check". The SC, with support from Plug and Play, conducted a survey among selected PLCs to gauge the state of innovation among Malaysian corporates.
11. The respondents of this survey represent approximately 36% of the FBM 100 Index's market capitalisation, or RM482 billion. Among the key observations, 70% of the respondents believe their company is reasonably well-prepared for innovation, with some room for improvement towards high innovation readiness with diversified strategies, strong culture and inspirational vision. More insights on this survey will be shared during the event today. These findings are useful and will guide SC's initiatives on corporate innovation.
12. Today's event will also include sessions which explore the role of innovation in cybersecurity and its importance to corporates. It will also include experience sharing and networking opportunities. I understand many corporate leaders and innovation teams also wish to have conversations with their peers to learn about what worked and what didn't on their respective innovation journeys.

13. For innovation programmes to be viable, they need to address actual business problems. Therefore, we've also included a discourse on cybersecurity in today's session, which is undoubtedly a topic of universal concern for many businesses. With rising and constantly evolving threats, it's important for businesses to stay on top. You will also hear from our speakers how corporates and cybersecurity experts are addressing this risk area.

Launch of VC/PE Industry Guide

Ladies and gentlemen,

14. I am also pleased to announce the launch of the *Practical Guide on Venture Capital and Private Equity in Malaysia*. This guide will help readers understand the operation of VC and PE fund management in Malaysia. It provides practical information on local capital market regulations for VC and PE managers, foreign exchange policy, tax matters, fund structuring considerations and other areas critical to fund operations. It will serve as a valuable resource, particularly for prospective fund managers, but also for investors and service providers. The guide will also assist VCs who are important players in the innovation funding ecosystem, as they can nurture startups and partner with corporates in their innovation journey.
15. This guide, a collaborative effort with key stakeholders comprising Bank Negara Malaysia, Labuan FSA, the Malaysian Venture Capital & Private Equity Association (MVCA) and EY, will be made available for free on the SC's website. I would like to take this opportunity to express my thanks to all the contributors to this guide.

Closing

Ladies and gentlemen,

16. As we move forward, the SC remains committed to fostering corporate innovation through the "Catalyst" series. We will continue to organise events that bring together experts, industry leaders, and policy makers to share best practices and foster collaboration.

17. Our goal is to create a supportive ecosystem that encourages innovation and collaboration.
18. Thank you for joining us today. Let's make our collective efforts count!
19. Sekian, terima kasih. Wassalamualaikum