

MEDIA RELEASE

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SC Unveils Digital-related Initiatives to Bolster Capital Market

Measures to Help Address Funding Needs of MSMEs and Mid-Tier Companies

The Securities Commission Malaysia (SC) today announced new digital-related initiatives to spur the growth of the capital market and help support the country's economic recovery.

The initiatives will pave the way for further liberalisation of the capital market and allow Micro, Small and Medium Enterprises (MSMEs) and Mid-Tier Companies (MTCs) better access to funding to grow their businesses.

The new initiatives include opening the alternative financing markets to new players to cater for the growing demands by MSMEs and MTCs.

The SC Chairman Dato' Seri Dr. Awang Adek Hussin said it is essential to support the post-pandemic recovery journey of MSMEs and MTCs in terms of their financing needs, as well as their continued innovation and growth potential. MSMEs and MTCs collectively contribute more than half of the country's GDP and are integral to Malaysia's future growth and economic sustainability.

"Digitalisation of the market is a key priority for the SC so that market participants are able to adapt to digital trends and use technologies which will promote innovation with new business models and products/services including broadening access to market-based financing in a more efficient manner," he said at a news conference announcing four new initiatives.

The four initiatives are:

A. Scaling up MSME Access to Financing

Since the introduction of the regulatory frameworks for alternative financing platforms such as Equity Crowdfunding (ECF) and Peer-to-Peer (P2P) financing, these market-based innovations have broadened access to capital for MSMEs and innovative new businesses.

As of June 2022, a total of RM3.5 billion in capital has been raised through 41,000 successful campaigns by over 5,400 MSMEs since the frameworks' inception.

To further harness the potential of ECF and P2P financing platforms, the SC will open new applications for the following:

1. Registration of new ECF and P2P market operators with Shariah solutions and value propositions

The initiative will catalyse innovation in Shariah offerings to further facilitate access to funding needs of MSMEs through alternative fund-raising digital platforms. Building on from the SC's Islamic fintech accelerator programme (FIKRA), this measure will also enhance Islamic fintech ecosystem and further strengthen the Islamic capital market proposition. It also aims to foster the growth of MSMEs in the halal economy while allowing greater access to investments for all capital market participants.

2. Registration of new P2P operators focusing on the offering of debt-based financing instruments by MTCs and other larger companies.

The capital market plays an integral role in offering tailored and effective funding solutions to catalyse the growth of companies at every stage of their development. This measure will now allow MTCs to seek debt-based financing directly from investors, while reducing the number of intermediaries involved in the process.

Most MTCs have been largely self-reliant in financing their business growth, especially since they have outgrown existing financing avenues for MSMEs but are still too small for traditional public markets.

B. Encouraging innovation and building capabilities through digitalisation

Towards promoting and facilitating greater and faster digital transformation of the capital market, the SC is moving forward with its digital agenda to increase investor participation and develop more synergistic capital market ecosystems. The SC will introduce the following initiatives:

3. Registration of new Recognised Market Operators-Digital Asset Exchange (RMO-DAX) to facilitate regulated digital asset investments

As investment in alternative assets is becoming more prevalent, the SC continues to promote responsible innovation within the digital asset space, while ensuring adequate protection of the interests of investors. This initiative enables investors to invest via regulated avenues and facilitates the entry of platforms with differentiated value propositions.

Currently, there are only four RMO-DAX operators registered with the SC. Allowing more and greater variety of players to enter the market increases capital market vibrancy by widening the number and types of exchange platforms available for investors to invest in, and that is also safe and secure.

4. Establishment of a RM30 million Digital Innovation Fund (DIGID) to encourage digitalisation of the capital market

Recognising the key role that capital market intermediaries play in the evolution of the digital capital market and to invest in the industry's future growth, DIGID will co-fund innovative projects that utilise technology to enable new and competitive propositions for the Malaysian capital market.

DIGID aims to encourage smaller capital market players to adopt innovative digital solutions and the development of industry-wide solutions impacting capital raising and investment activities.

Interested parties are invited to submit their applications beginning 1 January 2023. Successful candidates will receive funding on a reimbursement basis after meeting agreed-upon milestone deliverables. The funding amount will cover up to 70% of approved qualifying expenses, capped at RM500,000 per project.

Interested parties are invited to engage with the SC on applications for the digital platforms – ECF, P2P and DAX - from 1 November 2022. The updated guidelines and forms will be made available from 15 November 2022.

Information on the new measures, including guidelines and application forms, will be updated on the SC's website. Interested parties are advised to periodically refer to the SC's website and future announcements.

SECURITIES COMMISSION MALAYSIA

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About the Securities Commission Malaysia:

The Securities Commission Malaysia (SC), a statutory body reporting to the Minister of Finance, was established under the Securities Commission Malaysia Act 1993. It is the sole regulatory agency for the regulation and development of capital markets. The SC has direct responsibility for supervising and monitoring the activities of market institutions, including the exchanges and clearing houses, and regulating all persons licensed under the Capital Markets and Services Act 2007. More information about the SC is available on its website at www.sc.com.my. Follow the SC on twitter at @SecComMy for more updates.