



Keynote Speech
Dato' Seri Dr. Awang Adek Hussin
Chairman, Securities Commission Malaysia
MVCA Malaysia Venture Forum 2023
6 December 2023

Key Highlights:

In his Keynote Speech, SC Chairman, Dato' Seri Dr. Awang Adek Hussin, encouraged the industry to support the growth of the domestic venture capital (VC) ecosystem. In line with this commitment, the SC is actively working on initiatives to enhance the regulatory framework and facilitate greater collaboration with MVCA and other relevant stakeholders to develop Malaysia's private markets.

Here are highlights from his Keynote Address:

1. Malaysia has implemented targeted policies to foster a more dynamic start-up ecosystem. This includes RM90 billion to be invested in the New Industrial Master Plan (NIMP) 2030.
2. Start-ups and SMEs are expected to play a crucial role contributing an anticipated RM30.8 billion in GDP by 2030.
3. The SC together with Bursa Malaysia is working to improve efficiency in the public markets to facilitate a start-up's IPO, with measures such as reducing time-to-market for companies seeking to list on the stock exchange.
4. The SC is seeking to introduce a streamlined transfer mechanism that will enable qualifying ACE Market companies to transfer to the Main Market beginning 2024.
5. The SC is also looking into introducing a small offering exemption in the CMSA next year, facilitating a clear safe harbour for offerings of a certain size to sophisticated investors.
6. The SC recently published the *SRI Guide for Private Markets* to guide VC/PE firms and recognised market operators on important considerations and best practices for incorporating sustainability into their investment operations.

7. The SC is developing an MSME Roadmap that aims to enhance MSMEs' access to capital market financing, including private markets as a viable financing avenue.
8. Under the ACMF, the SC has been working closely with other regulators to support the AEC Blueprint 2025, which aims to build a more connected, inclusive and resilient capital market in the region.

Full Speech:

Bismillahirrahmanirrahim

Y.A.M. Tunku Dato' Seri Zain' Al-Abidin Ibni Tuanku Muhriz, Pengerusi IDEAS
En. Ng Sai Kit, Pengerusi, Malaysian Venture Capital and Private Equity Association

Ahli-ahli EXCO MVCA

Dif-Dif Jemputan,

Tuan-Tuan dan Puan-Puan Yang Dihormati Sekalian

Assalamualaikum warahmatullahi wabarakatuh dan salam sejahtera

1. Pertamanya, saya ingin merakamkan penghargaan kepada Encik Ng Sai Kit, merangkap Pengerusi MVCA, dan para penganjur kerana menjemput saya untuk berucap dalam forum ini.
2. Bagi saya, tema "*Reflect, Assess and Charge Forward*" adalah relevan, terutamanya dengan pelbagai perkembangan dan cabaran yang dihadapi sepanjang tahun ini. Walau apa pun, kita harus terus maju ke hadapan dan mengambil pengajaran daripada pengalaman kita yang lepas.

Ladies and gentlemen,

3. Malaysia has witnessed a remarkable transformation in its economic landscape, driven in no small part by the dynamism of our entrepreneurial ecosystem.
4. The venture capital and private equity industries have played a pivotal role in nurturing innovation, fostering growth and catalysing the development of promising businesses. In fact, the VC and PE industries in Malaysia have come a long way.
5. From modest beginnings when the SC first regulated this industry in 2002, the total commitments now stand at over RM16 billion as at the end of 2022.

6. We have seen a shift in Malaysia's institutional investor community, with government-linked institutions expanding their programmes and seeking new VC partners. We are seeing a healthy pipeline of IPOs this year, with 32 companies approved to-date for listing on Bursa Malaysia, many of which are tech-related. These are encouraging signs despite the challenges faced by the industry globally over the last two years, from softer valuations to caution among investors.
7. Malaysia has implemented targeted policies to foster a more dynamic start-up ecosystem. A total of RM90 billion will be invested in the New Industrial Master Plan (NIMP) 2030. This is in addition to the RM200 million that will be given to various industries through the NIMP Industrial Development Fund (NIDF) and the Strategic Co-investment Fund (CoSIF) in strategically important areas.
8. Start-ups and SMEs, especially in high growth areas, are expected to play a crucial role in making these goals a reality, with an anticipated RM30.8 billion in GDP contribution by 2030¹.
9. In addition, the government recently launched the National Energy Transition Roadmap (NETR), which outlines Malaysia's commitment to achieving a sustainable and inclusive energy system.
10. This initiative, which involves collaboration between the MoF, BNM, and the SC to explore suitable energy transition financing options, may benefit start-ups as well as investors in the energy transition space.
11. Growing investor interest in startup investments together with new strategic direction from the government indicate that prospects for private markets in Malaysia remain promising, and will continue to play a key role as a source of growth and development for the economy.

Ladies and gentlemen,

12. Capital markets play an important role in enabling easier access to funding for startups and MSMEs. In this regard, the SC has taken proactive steps to facilitate fundraising for businesses, particularly at the early stage of financing.
13. Our efforts include allowing flexible financial instruments, facilitating more efficient exit options, encouraging more investments into private markets and forging partnerships and collaborations, all of which are pivotal in nurturing a vibrant VC and PE ecosystem.

¹ Malaysia Startup Ecosystem Roadmap 2021-2030. [https://www.mosti.gov.my/wp-content/uploads/repository/penerbitan/2021/\(SUPER\)%20Malaysia%20Startup%20Ecosystem%20Roadmap%202021-2030.pdf](https://www.mosti.gov.my/wp-content/uploads/repository/penerbitan/2021/(SUPER)%20Malaysia%20Startup%20Ecosystem%20Roadmap%202021-2030.pdf)

Flexible financial instruments

14. The SC strives to enable a more conducive start-up funding environment by allowing flexibility in financial instruments. New instruments such as SAFE Notes are also becoming increasingly popular in start-ups to address equity raising challenges at the seed and early stages.
15. A SAFE or Simple Agreement for Future Equity note, as you know, is a type of investment contract commonly used by start-ups to raise capital from early-stage investors. With a SAFE agreement, a start-up can secure funding while offering investors the right to convert their investment into equity in the future.
16. The SC is targeting to introduce a **small offering exemption in the CMSA** next year. This will provide **clear safe harbour for offerings of a certain size to sophisticated investors**. This is intended to **reduce the regulatory burden in the fundraising process for startups and MSMEs, as well as provide clarity for instruments like SAFEs and convertible notes, which are becoming increasingly common in start-up funding**.

Facilitating exit options

17. SC and Bursa Malaysia will continue to facilitate exits for promising companies, especially in the tech sector. Recent capital market initiatives aimed at supporting IPO-ready companies are expected to have a positive impact.
18. These include tax deductions for eligible tech-based companies on the Main and ACE Markets. Concessions on the soon-to-be-implemented capital gains tax will be made available to IPOs on Bursa Malaysia. These measures are designed to enhance fundraising efforts, sustain the vibrancy of the IPO market, and improve trading liquidity.
19. With IPOs being one of the more common exit routes for start-ups in the region, the SC, together with Bursa Malaysia is working to improve **efficiency in the public markets** to facilitate a start-up's IPO, with measures such as **expediting the IPO process** and **reducing time-to-market** for companies seeking to list on our stock exchange.
20. To encourage more exit options in the public market space, the SC is seeking to **introduce a streamlined automatic transfer mechanism** that will enable qualifying ACE Market companies to transfer to the Main Market beginning next year.
21. Details of the proposed automatic transfer framework will be announced later this month. The introduction of a new simplified and accelerated transfer process will facilitate a seamless transfer of listings **to promote sizeable and quality ACE Market companies to the Main Market**. By being in the Main Market, it will open up

opportunities for foreign investors to participate. This in turn should encourage greater foreign participation in our capital market.

22. Access to funding can also be obtained through a **Special Purpose Acquisition Company (SPAC)**. The SC revamped the SPAC Framework in Malaysia in 2022, **allowing venture capital and private equity professionals with asset sourcing and deal making experience to steer SPACs**.
23. Under the previous framework, SPACs could only acquire businesses in cash. The new SPAC rule also allows SPACs to acquire companies through the issuance of securities.
24. We have also made it easier for SPAC acquisitions to be approved. Where before, a SPAC required a special resolution for the acquisition to be approved, now, it only needs to obtain a simple majority approval amongst shareholders.
25. The revised SPAC framework as an exit strategy for VC and PE firms, has the potential to broaden the target asset universe and spur listings and deals in Malaysia. This should also encourage mergers and acquisitions and spur corporate transformation.

Encouraging sustainable investments in private markets

Ladies and gentlemen,

26. As we navigate through the current landscape with various climate challenges, it is worth noting that **sustainability** is an area of **increasing importance** in the minds of investors. As asset owners demand more sustainable portfolios and capital to finance energy transitions, firms must develop their capabilities to incorporate sustainability practices.
27. In this regard, the SC has recently **published the SRI Guide for Private Markets** to help VC/PE firms and recognised market operators to embrace important considerations and best practices for incorporating sustainability into their investment operations.
28. In addition, VC/PE firms can also look into the SC's principles-based SRI Taxonomy, which was developed to help asset managers and investors identify sustainable projects. Capital Markets Malaysia (CMM) has created a **Simplified ESG Disclosure Guide** to provide SMEs with practical guidance on ESG disclosures.

Forging partnerships and collaborations

29. The **SC and SME Corp recently signed a three-year Memorandum of Understanding (MoU)** to ensure that the capital market can better serve the needs of SMEs. This paves the way for mutual cooperation in building a strong pipeline of capital market-ready SMEs. In addition, the SC is developing an **MSME Roadmap** that aims

to enhance MSMEs' access to capital market financing, including private markets, as a viable financing avenue.

30. Over the past year, the SC through CMM, has conducted a series of capacity building programmes on **Corporate Venture Capital (CVC)**. These programmes seek to instil best practices and guide Malaysian corporates to scale up their innovation programmes and CVC investments.
31. I am happy to share that participants have responded positively to these programmes and interest in CVC programmes, is increasing. We look forward to continuing with these initiatives in the coming year. There remains ample opportunity for further community building and partnerships with experienced VCs to develop suitable programmes and curate deal flows for corporate investors.
32. Considering the increasingly pronounced **ASEAN growth story**, it is expected that VC and PE managers will consider start-ups with regional aspirations as they take the next step to go regional.
33. Under the ASEAN Capital Markets Forum, the SC has been working closely with neighbouring regulators to support the **ASEAN Economic Community Blueprint 2025**, which aims to build a more connected, inclusive and resilient capital market in the region.
34. Given the increasing connectivity and economic integration of the region, it is advisable for founders and VC/PE firms to also focus their efforts on ASEAN to generate new growth.

Ladies and gentlemen,

35. As we look ahead, we encourage everyone to work collaboratively to support the growth of our local VC ecosystem. In line with this commitment, the SC is actively working on initiatives to enhance the regulatory framework, streamline processes and facilitate greater collaboration with MVCA and other stakeholders, to further develop Malaysia's private markets.
36. I am confident that the private markets will continue to play an essential role in gearing up the Malaysian economy for growth. And with that, I would like to congratulate MVCA for organising this forum and providing an important platform for dialogue, collaboration and knowledge sharing.

I wish you a productive day ahead. Thank you.

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