

COMPLIANCE TODAY

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Local & Global News



Malaysia

MALAYSIA: Bursa Malaysia Derivatives Night Trading Goes Live on 6 December 2021

Bursa Malaysia Derivatives Berhad (“Bursa Malaysia Derivatives”) today successfully launched its highly anticipated After-Hours (T+1) Night Trading Session (“After-Hours Trading”).

The availability of After-Hours Trading will enhance the competitiveness and attractiveness of the Exchange’s products and the overall Malaysian derivatives market among local and international investors.

Available for its commodity and equity index derivatives contracts, After-Hours Trading is expected to bode well for Malaysia’s derivatives market with the clear benefits it offers. With its improved price discovery, After-Hours Trading can be used as a hedging and risk management tool, allowing investors to manage their risk exposure to price fluctuations in response to any major market movement that occurs during the US and European market hours.

“More recently, the Exchange’s trading volume for FCPO in the third quarter of this year recorded a positive growth momentum with a total of 11.8 million contracts, an increase from 10.8 million in the same period last year,” said Samuel Ho, Chief Executive Officer of Bursa Malaysia Derivatives. “After-Hours Trading is important for hedging in the highly volatile crude palm oil market. Market participants will now have an avenue to better manage their risk exposure based on real-time global developments.”

Source: <https://www.bursamalaysia.com>



Malaysia

MALAYSIA: Court of Appeal Upholds SC’S AOB Enforcement Actions on AFTAAS and Its Partners

The Court of Appeal today ruled in favour of the Securities Commission Malaysia (SC) and set aside a High Court decision on 10 August 2020 to quash the SC’s Audit Oversight Board’s (AOB) enforcement actions against Afrizan Tarmili Khairul Azhar (AFTAAS) and its partners, namely Datuk Mohd Afrizan bin Husain, Haji Tamili Dulah Kusni and Khairul Azahar bin Ariffin.

The decision of the Court of Appeal reinforces the robustness of the AOB’s enforcement framework and its processes.

AFTAAS was sanctioned by the AOB for several breaches involving non-compliance with the auditing standards on fundamental and basic audit procedures. The AOB also found that some of the findings were recurring from the AOB’s previous inspection on AFTAAS, raising concerns on the capacity and capability of the firm.

The firm and its partners were prohibited from accepting as clients and auditing public interest entities (PIE) or schedule funds for a period of 12 months. In addition, the AOB also imposed fines of RM455,000 on AFTAAS, and RM88,000 each on Datuk Mohd Afrizan and Khairul respectively.

Given the Court of Appeal decision, the AOB’s enforcement actions remains in effect.

Source: <https://www.sc.com.my>

Local & Global News



Malaysia

MALAYSIA: Bursa Malaysia Completes Dematerialisation Proof-of-Concept for Structured Warrants Issuance Efficiencies

Bursa Malaysia Berhad (“Bursa Malaysia” or the “Exchange”), has successfully completed its Dematerialisation Proof-of-Concept with technology partners, Digital Asset and VMware at the end of November.

Conducted together with industry collaborators, Macquarie Capital Securities and Maybank Investment Bank Berhad, this blockchain-powered proof-of-concept was undertaken to evaluate the potential of distributed ledger technology (“DLT”) to transform a dematerialised deposit process and explore its potential benefits to the securities ecosystem in the Malaysian capital market.

This proof-of-concept, using Structured Warrants as a test case, was the first for the Exchange for the core equity business, and it follows the Securities Borrowing and Lending POC in 2019 and the Tokenised Bonds in Labuan POC in 2020.

The Dematerialisation Proof-of-Concept successfully demonstrated that by adopting smart contracts running on a blockchain network, multiple parties can share business processes that are standardised and automated. Given the scope of this proof-of-concept, further assessment will be required to verify the technology’s viability for other products with greater complexities than Structured Warrants and for other business processes in the securities markets

Source: <https://www.bursamalaysia.com>



Malaysia

MALAYSIA: Cybercrime in 2022 – Be Aware

As we are all well aware, the economy – nationally and globally – took a devastating hit due to the Covid-19 pandemic that began in early 2020 and the restrictions that came with it.

As human beings are designed to adapt and survive, people may attempt to do so by turning to economic crimes, and as such there is a growing concern about the rise and growth of the “shadow economy”. Also known as the “underground economy”, this economy concerns illegal transactions and trades which go under the radar.

This drives the demand and supply of criminal conduct, mainly fraud/scams, the drug trade, human trafficking, illegal gambling, and money laundering. The demand and supply for such goods and services will rise in 2022 and the advent of new technologies will fuel this growth.

The main concerns for consumers are the people who prey on fear, hope and greed. Many of the reported scams are now mainly focused on exploiting the fear element (eg, the Macau scam), while investment scams will continue to exploit the hope and greed elements during uncertain times in the markets.

Source: <https://www.thestar.com.my>

Local & Global News



Malaysia

MALAYSIA: Bursa Malaysia Investor Alert: Remain Vigilant, Beware of Online Investment Scams

Bursa Malaysia Berhad ("Bursa Malaysia" or the "Exchange") urges the public to remain vigilant given the increasing number of online investment scams. Recently there have been social media postings that misrepresent Bursa Malaysia and its senior management. The Exchange does not authorise nor endorse such unlicensed investment activities.

They strongly advise members of the public to be careful and not click any of the links provided by these suspicious postings which invites you to "participate" in such investment schemes. It is always best to follow these best practices when faced with suspicious online investment schemes:

- Do not click on web addresses or emails that misrepresent an authorised institution
- Verify whether the business is licensed and authorised by regulatory bodies
- Never share your banking details, identity card number or passwords to anyone
- Report to the authorities if you have been harassed or pressured to make a suspicious transaction, investment or receive illegal money deposits.

Source: <https://www.bursamalaysia.com>



Malaysia

MALAYSIA: Investment Fraud Cases Surge in 2021 with More Than RM420 Mil Losses

More than 4,800 white-collar crime cases were reported over the past two years involving investment fraud with losses exceeding RM420 million.

Bukit Aman Commercial Crime Investigation Department director Datuk Mohd Kamarudin Md Din said online investment fraud increased to 3,195 cases involving losses worth more than RM245 million in 2021 compared with 1,671 cases with losses exceeding RM180 million in 2020.

"A total of 906 individuals were arrested in 2020 while last year saw 1,833 individuals held for investment fraud offences," he said at a special press conference on Wednesday.

In the meantime, Mohd Kamarudin also advised the public not to fall for investment promotion advertisements on social media such as Facebook, Youtube, WhatsApp and Wechat

Source: <https://www.theedgemarkets.com>

Local & Global News



Asia

ASIA: OCBC Rolls Out 'Kill Switch' so Customers Can Immediately Freeze Accounts in Scams

OCBC has introduced a "kill switch" which allows its customers to immediately freeze all their current and savings accounts during an emergency.

The new measure comes after almost 970 customers lost a total of S\$13.7 million to SMS phishing scams since last December.

The kill switch extends to joint accounts, ATM access, debit and credit cards, digital banking, as well as the OCBC Pay Anyone app access. Customers can use this feature if they suspect they are a victim of a scam or believe key account-related details have been compromised.

All transactions - digital, ATM or at branches - cannot be made once the kill switch is activated. Bill payments, cash withdrawals and deposits, Nets, Visa and Mastercard transactions will also not be possible. Furthermore, recurring or pre-arranged fund transfers will be disabled, including incoming and outgoing Giro transactions.

Customers can activate the kill switch by using option "8" when dialling the bank's official contact number. The feature will also be available at around 500 standalone OCBC ATMs and will be rolled out to all OCBC ATMs by March 2022.

Source: <https://www.businesstimes.com.sg>



World

WORLD: JP Morgan Hit with \$200 Mil in Fines for Letting Employees Use WhatsApp to Evade Regulators' Reach

JPMorgan Chase is paying \$200 million in fines to two U.S. banking regulators to settle charges that its Wall Street division allowed employees to use WhatsApp and other platforms to circumvent federal record-keeping laws. The Securities and Exchange Commission said that JPMorgan Securities agreed to pay \$125 million after admitting to "widespread" record-keeping failures in recent years. The Commodity Futures Trading Commission also said that it had fined the bank \$75 million for allowing unapproved communications since at least 2015.

SEC officials who spoke to reporters said JPMorgan's failure to preserve those offline conversations violated federal securities law and left the regulator blind to exchanges between the bank and its clients. Federal law requires financial firms to keep meticulous records of electronic messages between brokers and clients so regulators can make sure those firms aren't skirting anti-fraud or antitrust laws. Messages included content on a wide range of discussions, including investment strategies, client meetings and market observations, the SEC officials said.

Source: <https://www.cnn.com>

Local & Global News



WORLD: Credit Suisse is Fined \$9 Mil in U.S. Over Research Conflicts, Customer Safeguards

A U.S. regulator fined a unit of Credit Suisse Group AG \$9 million for violating multiple laws and rules protecting investors, including ones involving potential conflicts of interest and the safeguarding of customer funds. The Financial Industry Regulatory Authority said the Swiss bank published more than 20,000 research reports between 2006 and 2017 that contained inaccurate disclosures about potential conflicts. It said about 6,400 reports omitted required disclosures, including that the companies had been clients in the last year or were expected to hire Credit Suisse for investment banking in the next three months.

FINRA said Credit Suisse also failed to maintain possession or control of billions of dollars of margin securities it carried for customers, or accurately calculate how much cash or securities it needed to keep in a special customer reserve. It will also certify it has implemented procedures to comply with a U.S. Securities and Exchange Commission rule designed to safeguard customer cash and securities. Credit Suisse said it cooperated with FINRA, was pleased to settle, and has addressed the underlying issues, which it said "primarily concern coding errors in Credit Suisse systems."

Source: <https://www.reuters.com>



WORLD: Former Lazard Banker Found Guilty of Insider Trading by German Court

A former employee of investment bank Lazard was sentenced to an 18-month suspended jail term by a German court after being found guilty of insider trading, a court spokesperson said. The ruling by the Frankfurt regional court came after the ex-employee was charged in 2021 for passing on tips about upcoming takeovers of listed firms to the former head of an insurance company for almost two years.

Between April 2018 and early 2020 the former insurance employee used the information to buy shares and derivatives in the affected firms before the deals became public and their shares rose. The recipient of the tips on Friday separately received a harsher sentence of three years and eight months, according to BaFin, Germany's market regulator, which had reported the individual to prosecutors and aided them in court proceedings. The former banker received 100,000 euros (\$113,650) for passing on the tips, the indictment showed.

Source: <https://www.reuters.com>

Anti-Money Laundering News



Asia

ASIA: MAS Fines Vistra Trust \$1.1 million for Failures in Anti-Money Laundering Control

The Monetary Authority of Singapore (MAS) has slapped a composition penalty of \$1.1 million on a financial services firm for failing to comply with requirements on anti-money laundering and countering the financing of terrorism (AML/CFT). An inspection by MAS from April to June 2019 found that Vistra Trust (Singapore), had committed serious breaches of AML/CFT requirements for trust companies, placing it at a higher risk of being used as a conduit for illicit activities.

"The failures were particularly in relation to higher risk trust relevant parties, such as the settlor, the beneficiary, the trustee and any person who has power over the disposition of a trust property," MAS said. It added that the firm did not implement adequate procedures to determine if the relevant parties presented a higher risk for money laundering or terrorism financing. This resulted in the firm failing to identify certain higher risk accounts or subjecting these accounts to enhanced customer due diligence measures, MAS said.

Source: <https://www.straitstimes.com>



Asia

ASIA: China Tightens Anti-Money Laundering Rules for Financial Firms

China published revised rules designed to strengthen financial firms' ability to combat money laundering. The revised rules regulates how financial institutions conduct due diligence on clients, and store their identity and trading data.

The new rules apply to non-bank payment companies and wealth management firms in addition to financial institutions covered by previous rules, such as banks, insurers and brokerages. The rules will take effect on 1 March 2022 and were jointly published by the People's Bank of China, the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission.

Source: <https://www.reuters.com>



Asia

ASIA: Hong Kong Police Arrests 14 People in Crackdown on HK\$300 Million Money-Laundering Gang

Hong Kong police have arrested 14 people and frozen about HK\$70 million (US\$9 million) in bank accounts in a clampdown on a triad-controlled money-laundering syndicate that washed more than HK\$300 million of illegal funds in less than two years.

A force insider said on Thursday that officers were trying to track down the remaining HK\$230 million, which is believed to have been funneled out of the city and transferred into mainland Chinese bank accounts. The detained 11 men and three women included four suspected Sun Yee On triad members who were the alleged core members of a local money-laundering ring, according to the source. The four gangsters included a Ukrainian and a Pakistani who hold Hong Kong identity cards.

The other 10 suspects were the holders of bank accounts used to launder illicit funds, said acting chief inspector Sung Ka-wai, of the financial intelligence and investigation bureau. He said the investigation suggested the seven men and three women had each been offered monetary rewards of between HK\$500 (US\$64) and HK\$5,000 to open personal and business bank accounts that were used by the syndicate to collect illegal funds and launder the cash.

The syndicate used a Yau Ma Tei guest house as the registered address of those bank accounts, he said, adding that one of the core members worked there as a manager.

Source: <https://www.scmp.com>

Anti-Money Laundering News



World

WORLD: AML Study Reveals Manual Processes Are Slowing Down Banking Compliance

The study commissioned by RiskScreen, an award-winning provider of onboarding, screening and in-life monitoring technology, also found two-thirds of compliance professionals at banks rely on manual processes for performing necessary KYC checks.

Despite 70% of respondents agreeing that the pandemic has accelerated digital transformation in the banking sector, over half of respondents said that the number of false positives delivered by their existing solutions are too high.

The AML survey, which was highly targeted to the banking sector, also revealed that 65% of compliance workers are still relying on Google for manual adverse media searches. Adverse media screening is a part of the anti-money laundering (AML) and know-your-customer (KYC) due diligence processes that regulated entities, such as banks and insurance providers, must perform when onboarding new customers.

Source: <https://mondovisione.com>



World

WORLD: Two Sydney Men Charged Over Money Laundering Activities

Two Malaysian nationals have been charged following an Australian Federal Police-led Taskforce Vanguard investigation that resulted in the seizure of \$350,000 in cash.

On 19 November 2021, AFP officers arrested a 37-year-old Rosebery man after observing him deposit \$20,000 at a bank and questioned a 38-year-old Ashfield man associated with him.

Officers located approximately \$350,000 in cash in the man's possession. Police will allege in court that between September and November 2021 more than \$2 million moved offshore through Australian bank accounts linked to the men.

Both men have been charged with dealing in proceeds of crime more than \$100,000, contrary to section 400.9 (1) of the Criminal Code (Cth).

Source: <https://www.afp.gov.au/>



World

WORLD: HSBC Fined US\$85mil for Anti-Money Laundering Failings

HSBC fined 63.95 million pounds (\$85.16 million) by Britain's financial regulator for failings in its anti-money laundering processes.

HSBC's transaction monitoring systems showed serious weaknesses over a period of eight years from 31 March 2010 to 31 March 2018.

The failings include inadequate monitoring of money laundering and terrorist financing scenarios until 2014 and poor risk assessment of "new scenarios" after 2016. HSBC also found to have had inappropriate testing and did not check the accuracy and completeness of data in monitoring systems.

Source: <https://www.thestar.com.my/>

Islamic Finance News



Malaysia

MALAYSIA: CGS-CIMB Expects 2022 to be Challenging for the Shariah Equity Market

CGS-CIMB Securities Sdn Bhd is expecting 2022 to be a more challenging year for the Shariah equity market due to potential headwinds in the form of policies as well as corporate earnings and political risks.

Head of Malaysia research Ivy Ng said that due to the potential headwinds buffeting the markets such as Covid-19 new variant, return of intraday short-selling, foreign funds outflow due to the Federal Reserve tapering, among others, CGS-CIMB expects investors to tread cautiously in 2022. Besides, reversals of fiscal stimulus and tighter monetary policy, higher transaction costs for the trading of Malaysia shares, corporate earnings risks due to higher operating costs and taxes would also affect the market.

“These factors are likely to dent sentiment in the stock market,” she said during the presentation of Shariah Equity Market Outlook 2022 at the virtual Invest Shariah Corporate Conversation 2022 yesterday. Overall, she said the market is expected to be volatile in 2022 as it adjusts to the new post-Covid-19 normal.

However, according to the Shariah Investing Strategy Report 2022, Ng said downside could be capped by stronger economic growth, additional liquidity available for large institutional funds and the FTSE Bursa Malaysia KLCI’s (FBM KLCI) undemanding valuations.

“We maintain our end-2022 forecast of FBM KLCI target of 1,612 points,” she said. Ng said CGS-CIMB’s top Shariah sector picks are Islamic banks, technology, petrochemical, media, oil and gas, healthcare, brewers, utilities and healthcare. The top three Shariah picks by CGS-CIMB are Bank Islam Malaysia Bhd, Inari-Amerton Bhd and QL Resources Bhd, she said.

Meanwhile, Bursa Malaysia Bhd CEO Datuk Muhamad Umar Swift said the stock exchange in Malaysia would continue to develop the Islamic capital market through continued product innovation and strengthening of the ecosystem to add further depth in Shariah-compliant product and service offerings. He said there is much potential and opportunity to grow Shariah investing due to the profound similarities of Shariah investing and socially responsible investing.

“They both focus on encouraging more ethical, responsible and transparent practices,” he said in his keynote address. He said the Malaysian Islamic capital market indeed has much to offer as it has a resilient financial system and an innovative ecosystem that is accessible globally. Besides, Muhamad Umar said a supportive government on initiatives also could enhance the country’s proposition as a global Islamic finance hub.

On the bigger picture, Muhamad Umar said the potential for the Islamic capital market remains promising, not only in Malaysia but also internationally.

“Islamic finance is no longer a domain that caters to Muslims only. Globally, it has grown to be a US\$3.4 trillion (RM14.25 trillion) industry,” he said.

For the 2021 performance, Muhamad Umar said the Malaysian stock market demonstrated great resilience throughout 2021 despite the market volatility brought about by the Covid-19 pandemic.

Malaysia has recorded 30 new listings which raised a total of RM2.75 billion and contributed RM10.56 billion to the overall market capitalisation of RM1.79 trillion and RM202 million to the overall average daily trading value.

Source: <https://themalaysianreserve.com>

Ethics & Governance News



Malaysia

MALAYSIA: Bursa Malaysia Issues Updated Corporate Governance Guide

Bursa Malaysia Berhad (“the Exchange”) announced the issuance of an updated Corporate Governance Guide (“CG Guide”), with the objective to ensure that our public listed companies (“PLCs”) are provided with comprehensive and practical guidance to the various recommended Practices under the Malaysian Code on Corporate Governance, issued by the Securities Commission Malaysia on 28 April 2021.

The CG Guide adopts a thematic approach to provide PLCs with a focused view of the Malaysian Code on Corporate Governance, beginning with the board and its responsibilities, addressing audit and risk management matters and then concluding with corporate reporting and relationship management with stakeholders.

The CG Guide constitutes a key component of the Exchange’s comprehensive corporate governance framework for our PLCs. In essence, it aims to inculcate better corporate governance practices through mandatory requirements under the Listing Requirements as well as voluntary best practices via the CG Guide.

Source: <https://www.bursamalaysia.com>



Malaysia

MALAYSIA: SC Revises SPAC Framework

The Securities Commission Malaysia (SC) announced today revisions to the Equity Guidelines in the enhanced Special Purpose Acquisition Company (SPAC) framework to facilitate greater access to fundraising in Malaysia, as part of its ongoing efforts to promote the development of the Malaysian capital market.

“The SC re-evaluated the SPAC framework to ensure that it remains relevant and capable of spurring interest in listings and deals involving SPACs, thereby providing issuers with greater access to the capital market,” said SC Chairman Datuk Syed Zaid Albar.

The revisions will, among others:

- Enable business combinations via issuance of securities as consideration for the Qualifying Acquisition (QA). Currently, SPACs may only meet the QA requirement by way of cash acquisitions.
- Broaden the avenue for SPACs to obtain additional financing by allowing private placements for QA. In addition, the minimum amount of funds required to be raised by a SPAC through its initial public offering (IPO) has been reduced from RM150 million to RM100 million.

Source: <https://www.sc.com.my>

Ethics & Governance News



Asia

ASIA: SFC Reprimands and Fines Mason Securities Limited \$3.6 million for Breaches of Anti-Money Laundering Regulatory Requirements

The Securities and Futures Commission (SFC) has reprimanded Mason Securities Limited (MSL), formerly known as Guoco Capital Limited (GCL), and fined it \$3.6 million for failing to ensure proper certification of client identity before approving account opening and have in place controls for the identification of third party deposits, contrary to anti-money laundering and counter-terrorist financing regulatory requirements.

The SFC found that between December 2014 and January 2015, GCL failed to conduct proper customer due diligence before approving the opening of six clients' accounts via a non-face-to-face approach because no controls were in place to ensure that proper certification of client identity documents was carried out. MSL also failed to take reasonable measures to ensure that proper safeguards exist to mitigate the risks of money laundering and terrorist financing when identifying and handling third party deposits as it failed to identify 15 cheques issued by third parties were deposited into five client accounts between May and July 2016 until the SFC requested for the relevant cheque copies. This was due to GCL and MSL's lack of policies and procedures for the identification of third party deposits prior to June 2017.

The SFC is of the view that MSL is guilty of misconduct, and its fitness and properness to carry on regulated activities have been called into question. In deciding the disciplinary sanction, the SFC took into account:

- the authentication of client identity is paramount to an effective customer due diligence process and is necessary to guard against the risks of money laundering and terrorist financing;
- GCL and MSL's failures in complying with AML/CTF requirements lasted for an extensive period of time, including its failure to put in place policies and procedures to identify third party deposits from September 2009 to June 2017 (Notes 8 & 9);
- a strong message has to be sent to the market to deter similar misconduct; and
- MSL's cooperation with the SFC in resolving the SFC's concerns.

Source: <https://apps.sfc.hk>



World

WORLD: SEC Charges Infinity Q Founder with Orchestrating Massive Valuation Fraud

The Securities and Exchange Commission (SEC) charged James Velissaris (former Chief Investment Officer and founder of Infinity Q Capital Management) with overvaluing assets by more than \$1 billion while pocketing tens of millions of dollars in fees.

Velissaris allegedly engaged in a fraudulent scheme to overvalue assets by altering inputs and manipulating the code of a third-party pricing service used to value the funds' assets where he collected more than \$26 million in profit distributions through his fraudulent conduct. The complaint alleges that at times during the pandemic, the funds' actual values were half of what investors were told.

In February 2021, Velissaris was removed from his role with Infinity Q after SEC staff confronted the firm with information suggesting that Velissaris had been adjusting the third-party pricing model. At Infinity Q's request and to protect shareholders, the Commission issued an order to suspend redemptions of the mutual fund.

The SEC's complaint charges Velissaris with violating antifraud and other provisions of the federal securities laws. The complaint seeks permanent injunctive relief, return of allegedly ill-gotten gains, civil penalties and to bar Velissaris from serving as a public company officer and director. In parallel actions, the U.S. Attorney's Office for the Southern District of New York announced criminal charges against Velissaris, while the Commodity Futures Trading Commission announced civil charges against him.

Source: <https://www.sec.gov>

Ethics & Governance News



World

WORLD: PRA Fines Standard Chartered Bank £46,550,000 for Failing to be Open and Cooperative with the PRA and for Failings in its Regulatory Reporting Governance and Controls

The Prudential Regulation Authority ("PRA") has imposed a financial penalty amounting to £46.55 million on Standard Chartered Bank ("SCB") for not being cooperative with the PRA and for failing in its regulatory reporting governance and controls in relation to a tailored PRA liquidity expectation.

In October 2017, SCB was imposed by PRA to have a temporary additional liquidity in response to PRA's concerns about heightened risk of USD liquidity outflows ("the liquidity metric"). Based on PRA's investigation on SCB's operations in relation to the liquidity metric, SCB have failed to:-

- promptly notify the PRA of one of the miscalculation and misreporting errors because SCB had only notified PRA on the errors after a 4 month of internal investigation into the issue;
- ensure that its escalation framework for liquidity miscalculations and misreporting was properly embedded within the relevant business area;
- implement a documented policy setting out when liquidity errors or potential liquidity errors should be notified to the PRA;
- maintain and operate adequate controls testing and checks for reporting the liquidity metric because SCB had made five errors in reporting its liquidity metric between March 2018 and May 2019;
- ensure that it had appropriate human resources to investigate potential misreporting of the liquidity metric.

As a result of this, SCB have breached the Fundamental Rules 6 & 7 of the PRA Rulebook. Lastly, SCB agreed to resolve this matter and therefore qualified for a 30% reduction in the fine imposed by the PRA. Without this discount, the fine imposed by the PRA would have been £66.5 million.

Source: <https://www.bankofengland.co.uk>



World

WORLD: SEC Charges Robo-Advisor with Misleading Clients

The Securities and Exchange Commission today charged New York-based robo-advisor Wahed Invest, LLC with making misleading statements and breaching its fiduciary duty and for compliance failures related to its Shari'ah advisory business.

Prior July 2019, Wahed Invest advertised the existence of its own proprietary funds when no such funds existed and promised investors that it would periodically rebalance their advisory accounts, which they did not do. When Wahed Invest ultimately launched a proprietary ETF in July 2019, it used its clients' advisory assets to seed the ETF without prior disclosure to clients of any conflicts of interest. Wahed Invest also marketed itself as providing advisory services compliant with Islamic or Shari'ah law including the importance of its income purification process on its website.

Despite these representations, Wahed Invest did not adopt or implement written policies and procedures addressing how it would assure Shari'ah compliance on an ongoing basis.

Robo-advisers, like other advisers, must ensure that their marketing materials are not misleading and that conflicts are disclosed to investors and must also adopt and implement written policies and procedures reasonably designed to prevent the adviser from deviating from its claimed investment process.

Without admitting or denying the SEC's findings, Wahed Invest agreed to a cease-and-desist order, to pay a \$300,000 penalty, and to retain an independent compliance consultant among other undertakings.

Source: <https://www.sec.gov>



Compliance Priorities for 2022

As we contemplate the new year, we once again consider regulatory compliance trends and how compliance departments should think about establishing priorities for 2022. Some of the priorities we have mentioned previously have heightened relevance, sometimes with a new twist; but we highlight new ones here that are also relevant and should be heeded:

Fair lending

Compliance departments should continue to focus on fair lending through a variety of lenses, as bank regulators, the Department of Justice (DOJ) and the White House have underscored activities that undermine the goal of financial inclusion—closely tied to the “S” in “ESG” (see below). DOJ’s recently announced redlining initiative, joined by the Consumer Financial Protection Board (CFPB) and the Office of the Comptroller of the Currency (OCC), puts fair lending enforcement at the top of its priority list.

While traditional redlining remains a focus, it is noteworthy that CFPB Director Rohit Chopra, in announcing a more traditional redlining enforcement matter, warned that the CFPB will be “closely watching for digital redlining disguised through so-called neutral algorithms that may reinforce the biases that have long existed.” Chopra noted that “modern-day redlining”—in which using algorithms to make lending and advertising decisions may result in discrimination—creates a risk that just as families were “victimized by the robo-signing scandals from the last crisis,” “robo-discrimination” must not be allowed “to proliferate in a new crisis.”

Therefore, it is important to make sure that compliance fairness reviews encompass the creation, operation and outcomes of algorithmic decision models. The consent order in this matter also underscores that where a lender’s HMDA data show that its lending record in majority Black and/or Hispanic census tracks significant lags its market peers, this statistic disparity may lead to fair lending enforcement without a need to show intentional acts of discrimination.

The extent of fair lending protections for small businesses has been a topic on our minds for a number of years. The confluence of several events leads us to call out this issue as a compliance action item for 2022. First, the CFPB has begun the process of requiring the Dodd-Frank-mandated collection and reporting of small business loan data. In addition, the passage or proposal of legislation protecting small businesses in at least six states—California and more recently, New York, have enacted legislation— together with the proposal in Congress of the Small Business Lending Disclosure Act, make getting your small business fair lending program in shape a necessity.

Technology and consumer protection

In addition to concern over algorithm use, the CFPB is reinforcing the focus on technology that distinguished it in its early days. Is your bank ready to face the CFPB’s new technology exam module? Further, what lessons lie in the orders the CFPB issued to tech firms—who all have bank partners—with regard to their payment products and the consumer data they generate? Many of the areas of questioning should be considered as you review activities within your banks: How are you gathering and using consumer data? Do you monetize that data? Do consumers have adequate transparency and choice regarding what you do, and the third parties with which you may share data? These are not new questions. But as the regulatory and technology environments continue to change, and regulators clearly voice their concerns about the role of “big tech” in the payments process, it is useful to revisit your risk assessments in this area.

Finally, don’t make the mistake of believing that the realm of cryptocurrency and stablecoins is not in the consumer compliance officer job description. The CFPB is among the regulators of these products—and is particularly focused on consumer protection as consumers themselves turn to these digital means of making payments.



Consumer product digital marketing

At the risk of repeating ourselves from previous priorities, the issue of marketing compliance and UDAAP is going to always be on the list. The pandemic only hastened the use of digital banking across all parts of the country so that the majority of consumers' contacts with their banks is now online. Remember to make sure that all essential facets of the product are accurately disclosed and that decisions the consumer is required to make are fairly presented. (See Farrell's previous article on deceptive marketing practices [here](#).)

Fintech partnerships

The banking agencies continue to be concerned that their constituent banks are offering "banking as a service" to small fintech companies with little or no consumer protection apparatus. Banks small and large nationwide now serve as a banking vendor to fintech firms. And it is important to have controls in place to ensure that the bank is not inadvertently helping a company that is misleading consumers, failing to give appropriate disclosures or treating consumers unfairly. If you offer banking services to fintech companies, you must have a compliance review process in place for them not only at the outset but also periodically throughout the life of the relationship.

Market power and consumer choice

The CFPB's first consent order under Chopra resulted in the sanctioning of JPay LLC for "abusing its market power created by single source government contracts even if the customers didn't want to do business with JPay." The customers in this case were formerly incarcerated citizens who could obtain funds from the government only on a pre-paid card from JPay. While the facts in this matter are very specific, Chopra warned that its principles are more broadly applicable for "payments businesses which are network businesses and can gain tremendous scale and market power potentially posing new risks and undermining fairly competition." In your bank, think about fairness when looking at choices you offer consumers, whether there are competitive products to your offerings, and how you introduce consumers to third parties in situations where they have no choice as to the provider (such as insurance providers or loans servicers).

Overdrafts

The new director of the CFPB has made it clear that overdraft practice will be a focus of the bureau going forward. The acting Comptroller of the Currency recently said that the existing overdraft system is "regressive," meaning that its impact is greater for lower income customers.

Therefore, a review of banks' overdraft programs should be a priority in the coming year. If your bank does not include these features, then consider: Establishing minimum amounts for which no overdraft fee is assessed; allowing the customer additional time to deposit funds into the account before assessing a fee; providing alternatives to overdrawing accounts such as transferring funds from savings; or using credit cards.

The amount of overdraft fees are often the subject of criticism. Regulators tend to consider such fees to be excessive relative to the service provided. Consider whether your bank's fees are high or low compared to others in your market. There is likely to be another push for overdraft rules, especially by the CFPB. Whether such a rule will be successfully implemented is another issue, but prudent risk managers will want to ensure that their banks' practices are easy to understand and are fully disclosed to the consumer.

ESG: Climate

While it is necessary to address all three aspects of environmental, social and governance issues, financial regulators globally have elevated their focus on environmental, or climate in particular, as a newly recognized systemic risk. Even as standards remain unsolidified, banks have voluntarily reacted in a variety of ways that have included adding or expanding senior roles and resources to focus on ESG and its various sub-categories. In the case of climate risk, banks are exploring the use of funding-related levers to influence customer behavior, developing green products and making voluntary commitments, including with regard to their own carbon footprints.



Banks have made varying choices as to where and how ESG roles, resources and decision-making authority will sit. The management of climate risk in particular has compliance, reputation and regulatory risk implications that trigger a “three lines of defense” approach.

How will a climate risk assessment fit within your current risk assessment regimes? What data will your bank develop and use to measure, control and report on its risk as well as its adherence to both voluntary and regulatory commitments in this area? How will compliance determine and support the accuracy of related disclosures and the marketing statements that they may spawn? How will banks make certain that lending policies and individual transactions fit within the principles that bank has embraced publicly, and assure that those principles are being applied fairly? Are AML monitoring and reporting processes equipped to deal with activities that suggest environmental crime? These and other questions need to be answered in a highly scrutinized, quickly developing but still murky regulatory environment.

Supervision in a “WFH” world



Just as we were working to get regulators and others comfortable with development in an “agile” environment, the work-from-home scenario has been added to the mix. Both as people managers of their own groups, and in their broader roles as risk managers, compliance heads need to grapple with the risks attendant to staff shortages caused by “the great resignation,” the changes in how employees work, and in their expectations, as WFH and hybrid models for in-office working evolve.

Customer-facing employees, whether in branches or on phones, are working under changed circumstances, but are still the key to meeting customer expectations and escalating issues. New or modified risks should be captured in your risk assessment, and controls should be reviewed in the context of changes that have been necessary to accommodate new information and process flows. Policies and procedures may require updating to reflect how banks are now actually operating. In addition, it is important to consider the employees involved: Are their historic job descriptions, training and tools adequate? And what steps are needed to continue to preserve your bank’s culture as well as your regulatory credibility and relationships—particularly as we see staff turnover on both sides of the table?


Finally, while the initial deadlines for issuing regulations to implement the significant changes in the Anti-Money Laundering Act of 2020 have come and gone, banks and their compliance and AML staffs will need to remain ready to respond when the time comes.

Source: <https://www.corporatecomplianceinsights.com>




REGULATORY ALERTS

Circulars/Guidelines				
 BANK NEGARA MALAYSIA <small>CENTRAL BANK OF MALAYSIA</small>	15.11.21	<p>Disclosure of Customer Information to Suruhanjaya Syarikat Malaysia ("SSM")</p>	<p>BNM has issued a circular pursuant to section 134(1)(b) of the Financial Services Act ("FSA") 2013, section 146(1)(b) of the Islamic Financial Services Act ("IFSA") 2013 and section 120(1)(b) of the Development Financial Institutions Act ("DFIA") 2002, BNM hereby grants approval for the Financial Institutions ("FIs") to disclose to SSM the following specific information of the FIs' customers:</p> <ol style="list-style-type: none"> a. The status of the specific charges that have been lodged by the dormant companies with SSM; and b. The date that the charges have been released or expected to be released by the FIs. <p>The above information is required to facilitate SSM in its assessment to strike off the dormant companies from the SSM register. The assessment includes ensuring that the companies identified do not have any outstanding charge with the FI, to avoid any future implications on the FI.</p>	<p>Effective: 15.11.21</p>
 Suruhanjaya Sekuriti <small>Securities Commission Malaysia</small>	22.11.21	<p>Guidelines on Unlisted Capital Market Product under Lodge and Launch ("LOLA")</p>	<p>SC has revised the guidelines as per below:</p> <ol style="list-style-type: none"> a. Amended to reflect the amended Schedule 5 of the CMSA; b. Amended definitions of "commercial paper or CP" and "medium-term note or MTN" and deleted definition of "PayNet", to reflect the transfer of the operations of RENTAS and FAST from Payments Network Malaysia Sdn Bhd to Bank Negara Malaysia; c. Amended definition of "qualified dealer" to make reference to the Licensing Handbook as Principal Adviser Guidelines have been revoked; d. Amended definition of "sophisticated investor" to include investors who acquire unlisted capital market products where the consideration is not less than two hundred and fifty thousand ringgit or its equivalent in foreign currencies for each transaction whether such amount is paid for in cash or otherwise; e. Amended paragraph to reflect the transfer of the operations of RENTAS from Payments Network Malaysia Sdn Bhd to BNM; f. A footnote has been added to reflect the change in time frame for issuance from 60 business days to 90 business days from the date of lodgement, which will be effective 1 January 2022; and g. Amended paragraph to reflect the revised title of the Trust Deeds Guidelines. 	<p>Effective 22.11.21</p>



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Circulars/Guidelines				
	22.11.21	Guidelines on Sales Practices of Unlisted Capital Market Products (Revised)	<p>SC has revised the guidelines as per below:</p> <ol style="list-style-type: none"> a. Amended paragraph to give effect to the category of investors who acquire unlisted capital market products where the consideration is not less than two hundred and fifty thousand ringgit or its equivalent in foreign currencies for each transaction whether such amount is paid for in cash or otherwise; b. Amended Table to set out the applicability of product highlights sheet and suitability assessment requirements for investors who acquire unlisted capital market products where the consideration is not less than two hundred and fifty thousand ringgit or its equivalent in foreign currencies for each transaction whether such amount is paid for in cash or otherwise; c. Amended definition of "retail investors" in light of new definition of "sophisticated investors"; and d. Amended definition of "sophisticated investor" to include investors who acquire unlisted capital market products where the consideration is not less than two hundred and fifty thousand ringgit or its equivalent in foreign currencies for each transaction whether such amount is paid for in cash or otherwise. 	Effective: 22.11.21
	22.11.21	Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors (Revised)	<p>SC has revised the guidelines as per below:</p> <ol style="list-style-type: none"> a. Amended definition of "interested person" to reflect the revised title of the Trust Deeds Guidelines; b. Amended definition of "medium-term note or MTN" and deleted definition of "PayNet", to reflect the transfer of the operations of RENTAS and FAST from Payments Network Malaysia Sdn Bhd to BNM; c. Amended definition of "principal adviser", to streamline with the definition in the Guidelines on Submission of Corporate and Capital Market Product Proposals and the Licensing Handbook; d. Amended paragraph to reflect the transfer of the operations of RENTAS from Payments Network Malaysia Sdn Bhd to BNM. 	Effective: 22.11.21
	22.11.21	Prospectus Guidelines (Revised)	<p>SC has revised the guidelines as per below:</p> <p>Insertion of a new paragraph to exclude the application of these Guidelines to public companies raising funds on an equity crowdfunding platform with a registered prospectus in compliance with the Guidelines on Recognized Markets.</p>	Effective: 22.11.21




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Circulars/Guidelines				
	26.11.21	Bursa circular: Amendments to the Directive on the List of Specified Exchanges Directive No.6.25(1)-001)	Amendments have been made to Directive No. 6.25(1)-001 to: <ol style="list-style-type: none"> a. Include ICE Futures Singapore in the list of Specified Exchanges; and b. Update the names of certain prescribed exchanges in the list of Specified Exchanges. 	Effective: 26.11.21
	25.11.21	Amendments to the Rules and Directives of Bursa Malaysia Securities Berhad ("BMS Rules and Directives") to Remove the Associated Person Rule from the Regulated Short Selling ("RSS") and Intraday Short Selling (IDSS") Frameworks	<p>Bursa has amended the RSS and IDSS frameworks under the BMS Rules and Directives to remove the prohibition to execute the short selling if a person or any person on behalf of whom the first mentioned person is executing the short selling, is associated with the body corporate that issued or made available the securities ("Associated Person Rule").</p> <p>The removal of the Associated Person Rule was made after taking into consideration the following:</p> <ol style="list-style-type: none"> a. Bursa has adequate safeguards against market manipulation, including price and volume controls that are applicable to all investors, including an Associated Person of the said body corporate; and b. The challenges faced by the Participating Organisations ("POs") in operationalising the Associated Person Rule. <p>Pursuant to the above, amendments were made to Parts C and D of Chapter 8 of the BMS Rules and to the Directive on Intraday Short Selling (No. 8-003), to remove the reference to "Associated Person", in addition to removing the restrictions on entering an order or executing a trade for short selling on behalf of an "Associated Person".</p>	Effective: 01.01.22
 <p style="font-size: small; margin-top: 5px;">BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA</p>	14.12.21	Exposure Draft ("ED") on Business Continuity Management ("BCM")	<p>This ED sets out the proposed revisions to the current Guidelines on BCM (Revised) issued by BNM on 3 June 2011. Drawing from the lessons learnt from the recent pandemic, the proposals aim to strengthen the state of preparedness of financial institutions ("FIs") to withstand operational disruptions and improve their operational resilience. This may entail potential reviews and enhancements to FIs' policies and processes to achieve the intended outcomes of these proposed requirements.</p> <p>BNM invites written feedback on the proposed requirements, including suggestions on areas to be clarified and alternative proposals that BNM should consider. The written feedback should be supported with clear rationale, including accompanying evidence or illustrations, where appropriate, to facilitate an effective consultation process. In addition to providing general feedback, respondents are also requested to respond to the specific questions set out in this ED.</p>	Effective: Not applicable

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Circulars/Guidelines				
	16.12.21	<p>R/R 9 of 2021</p> <p>Amendments to the Directive in Relation to Market Makers and Derivatives Specialists ("Directive No.4-001") for Market Making in Structured Warrants</p>	<p>In order to further improve the liquidity of trading in structured warrants on Bursa Malaysia Securities Berhad, amendments have been made to Appendix 3 of Directive No. 4-001, to revise the market making obligations in respect of structured warrants. The amendments enhanced Bursa's requirements pertaining to the entry of the bid and offer prices for market making of structured warrants, in the following manner:</p> <ol style="list-style-type: none"> a. Increase the minimum presence of a Market Maker in the market to 80%; b. Tighten the maximum spread of a Market Maker's two-sided quotes to 10 bids; and c. Increase the minimum quantity on each of the Market Maker's two-sided quotes to 5,000 units. 	Effective: 03.01.22
	16.12.21	<p>Equity Guidelines (Revised)</p>	<p>The key amendments are as below:</p> <ol style="list-style-type: none"> a. Definition of "qualifying acquisition" amended to clarify that a qualifying acquisition may also be in the form of a business combination, including a merger; b. To remove requirements in relation to cross listing of listed corporations on a securities exchange outside Malaysia pursuant to amendments to Schedule 5 of the Capital Markets and Services Act 2007 ("CMSA") which came into force on 1 July 2021. Schedule 5 of the CMSA which sets out the types of corporate proposals that do not require the SC's approval was amended to include cross-listing of the shares of a listed corporation on a securities exchange outside Malaysia; c. To clarify that the shareholders whose securities are subject to moratorium include other entities which are not listed; d. To exclude the cross reference to paragraph 5.23 which sets out the minimum issue price of equity securities, other than warrants and convertible securities, for which listing is sought; e. Existing paragraph amended to reduce the minimum funds required to be raised through an initial public offering to RM100 million. The requirements for a SPAC to demonstrate that the gross proceeds to be raised is sufficient to enable the SPAC to have a core business with sufficient size and scale as well as offer reasonable returns to investors have been removed; f. To provide that the issue price of shares offered for subscription for which listing is sought must be at least RM2.00 each; g. To provide that the number of new shares which will arise from the exercise of the warrants must not exceed 50% of the enlarged number of issued shares; 	Effective: 01.01.22



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			h. To grant flexibility to the types of requisite experience and track record that a SPAC management team is required to have, including allowing participation from professionals with venture capital and private equity background.	
	20.12.21	Amendments to the Rules And Directive Of Bursa Malaysia Derivatives Berhad in relation to the Revitalisation Of The 3-Year And 10-Year Malaysian Government Securities Futures ("FMG3 And FMGA") Contracts	Amending and clarifying existing contract specifications for the FMG3 and FMGA Contract as follows: a. Revising the settlement method from cash to physical delivery; b. Clarifying the final settlement day, i.e. when delivery is made and what happens to open positions after the final trading day; and c. Amending the criteria for selection of eligible bonds to facilitate the change of settlement method from cash to physical delivery.	Effective: 27.11.21
	20.12.21	Amendments to Bursa Malaysia Securities Berhad ACE Market Listing Requirements Relating to ACE Market One-Stop Centre	The key ACE One-Stop Centre Amendments: Streamlined regulatory approach in relation to the IPO and Prospectus registration process and requirements: a. Mandatory pre-admission consultation; b. Key milestone for submission of pre-admission consultation pack and listing application; c. Investor interest as one of the key focus areas for admission; d. Optional independent market research report; e. Investor interest as one of the key focus areas for admission; f. Optional independent market; g. Prospectus requirements for ACE Markets IPOs; h. Regulatory and enforcement ambit in an IPO application and prospectus; i. Moratorium on listed shares held by pre-IPO investors; j. Completion of the Mandatory; k. Accreditation programme ("MAP") by applicant's directors prior to listing.	Effective: 20.12.21
	20.12.21	Guidelines for Shariah Advisers	SC has issued guidelines which sets out: a. Requirements for registration of a Shariah adviser; and b. Continuous obligations and conduct requirements relating to a Shariah adviser. The service of providing advice to others concerning compliance with Shariah matters for purposes of: a. Making available, offering or issuing an Islamic capital market product; or b. Carrying on an Islamic capital market activity, is specified to be a capital market service for the purposes of section 76A of the Capital Markets and Services Act ("CMSA").	Effective: 01.01.22




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Circulars/Guidelines				
			<p>The following requirements:</p> <ol style="list-style-type: none"> a. Prescribing the service of “providing advice to others concerning compliance with Shariah matters” as a capital market service under section 76A of the CMSA 2007; b. Streamlining the registration requirements for both local and foreign Shariah advisers; c. Streamlining the fit and proper criteria applicable to Shariah advisers; d. Imposing continuous obligations on Shariah advisers including ensuring its directors, chief executive and Shariah committee members (for FIs) being fit and proper, attending at least three SIDC CPE-approved courses on capital market annually and reporting to the SC where the Shariah adviser is no longer fit and proper; and e. Introducing a new chapter on conduct requirements for Shariah adviser including requirement for Shariah adviser to act honestly and to uphold Shariah principles as well as having adequate arrangements in place to identify and effectively manage or mitigate conflicts of interest. 	
	20.12.21	<p>Guidelines on Prospectus (Revised) on Relevant authority for the registration of ACE Market Prospectus and Abridged Prospectus</p>	<p>SC has revised guidelines as per below: Amended Chapter 1 of Part I in relation to Bursa Securities as the relevant authority for the registration of ACE Market prospectus and abridged prospectus with effect from 1 January 2022:</p> <ol style="list-style-type: none"> a. A new paragraph 1.02A in view of Bursa Securities as the relevant authority for the registration of ACE Market prospectus and abridged prospectus effective 1 January 2022 (Effective Date). This new paragraph 1.02A also clarifies that an application for registration of an ACE Market prospectus and ACE Market abridged prospectus have to be submitted to Bursa Securities from the Effective Date; b. Paragraph 1.02B sets out the non-applicability of the Prospectus Guidelines. A new subparagraph has been inserted to clarify that the Prospectus Guidelines shall not be applicable for an application for registration of an ACE Market prospectus and abridged prospectus submitted to Bursa Securities from the Effective Date, save where references to the Prospectus Guidelines are made in the ACE Market Listing Requirements; and c. New paragraph inserted to clarify that for any application submitted to the SC prior to the Effective Date. 	<p>Effective: 01.01.22</p>


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Circulars/Guidelines				
	21.12.21	Prospectus Guidelines on Collective Investment Schemes (Revised)	<p>SC has revised the guidelines as per below: Amendments made include consequential amendments made to the Guidelines on Unit Trust Funds (UT Guidelines) as well as incorporating amendments as proposed in the SC's Public Consultation Paper No. 1/2020 (CP) that was issued on 11 November 2020. These include the following:</p> <ol style="list-style-type: none"> a. Introduction of requirements on embedded derivatives. As a consequence to this, structured products are now subsumed under embedded derivatives; and b. Introduction of requirements on oversight arrangements which replaces the requirements for investment committee. c. Inserted a section containing a set of Guidance to the Guidelines. As a consequence, all Guidance provided in guidance boxes have been relocated to this new section of the Guidelines. 	Effective: 20.12.21
	22.12.21	Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Enhanced Adviser Framework, Submission of Corporate Proposals and Other Amendments ("Main LR Amendments")	<p>The key Main LR amendments are as follows: Enhancing the adviser framework by:</p> <ol style="list-style-type: none"> a. Aligning the Principal Adviser framework under the main LR, with that of SC's Recognised Principle Adviser ("RPA") framework for the Main Market; b. Strengthening the supervisory and oversight role of a RPA and its key officers, namely the Senior officer ("SO") and qualified Person ("QP"), in significant proposals ("Specific Proposals"); c. Removing the prescription on how the due diligence is to be conducted and empowering the RPA and other relevant parties to undertake their due diligence exercise in accordance with industry best practices; d. Requiring the RPA and other relevant parties to make due and careful enquiries and comply with the equivalent obligations and standards imposed under SC's Guidelines on Submission of Corporate and Capital Market Product Proposals ("Submission Guidelines"); and e. Extending the regulatory and enforcement ambit under the Main LR to RPA's QP and SO involved in submitting in a Specific Proposal. 	Effective: 22.12.21



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Circulars/Guidelines				
	23.12.21	<p>Extension of the following Enhanced General Mandate for Main & ACE Listing Requirements:</p> <ol style="list-style-type: none"> 1. Increased General Mandate of 20% of the New Issue of Securities by Way of Private Placements 2. General Mandate of 50% Based on Pro Rate Entitlement for New Issue of Securities by Way of Right Issue 	<p>As part of COVID-19 pandemic relief measures for listed issuers, Bursa had introduced the following to aid listed issuers in secondary fund raisings in 2020:</p> <ol style="list-style-type: none"> a. Allow listed issuers to issue new shares up to 20% of the total number of issued shares via the 20% General Mandate subject to, the views from the listed issuer's board of directors that the 20% General Mandate is in compliance with the constitution; b. Accord listed corporations and listed real estate investment trusts ("REITs") with existing controlling securities holders (eligible listed issuers) the flexibility to issue new rights shares or units to their existing securities holders on a pro rata basis, up to 50% of the total number of issued shares or issued units via the Pro Rata 50% General Mandate obtained at a general meeting, subject to certain safeguards; and c. Extension of Implementation of the 20% General Mandate and Pro Rata 50% General Mandate. 	Effective: 23.12.21
 <small>BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA</small>	27.12.21	<p>Exposure Draft ("ED") on Climate Risk Management and Scenario Analysis</p>	<p>This ED sets out the proposed requirements and guidance on climate risk management and scenario analysis. The proposed specific requirements and expectations are to ensure that FIs strengthen the management of financial risks stemming from climate change to enhance the resilience of the financial sector against climate-related risks and to facilitate an orderly transition to a low-carbon economy.</p> <p>This ED complements the Climate Change and Principle-based Taxonomy ("CCPT"), the Value-based Intermediation Financing and Investment Impact Assessment Framework ("VBIAF"), as well as the VBIAF Sectoral Guides. With respect to scenario analysis and stress testing BNM will be providing additional guidance to the FIs in a forthcoming discussion paper ("DP") on Climate Change Stress Test ("CCST"), set to be released in 1Q 2022. The DP is intended to solicit feedback to gauge industry readiness and to identify potential challenges in areas such as design of climate scenarios, coverage of financial exposures, methodology, level of granularity and data gaps.</p>	Effective: 27.12.21
 <small>Suruhanjaya Sekuriti Securities Commission Malaysia</small>	31.12.21	<p>Guidelines on Corporate Governance for Capital Market Intermediaries</p>	<p>SC has issued a Guidelines pursuant to section 377 of the CMA 2007. Corporate governance is defined as 'the process and structure that are used to direct and manage the business and affairs of the company towards promoting the business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value while taking into account the interest of other stakeholders'.</p>	Effective: 31.12.21



REGULATORY ALERTS

Circulars/Guidelines				
			<p>While focusing on achieving the company's goal, a Capital Markets Services License ("CMSL") Holder must ensure that robust corporate governance structure, as well as policies and practices are in place to safeguard against unethical conduct, mismanagement and fraudulent activities. In addition to complying with these Guidelines, a CMSL Holder is strongly encouraged to adopt the recommended corporate governance best practices in the Malaysian Code on Corporate Governance.</p>	
	31.12.21	<p>Guidelines on Conduct for Capital Market Intermediaries</p>	<p>SC has issued this Guidelines pursuant to section 377 of the CMSA 2007. These Guidelines aim to foster good business conduct and a good corporate culture within all capital market intermediaries that is centred upon the fair treatment of clients and to promote trust in capital market intermediaries.</p> <p>In this regard, these Guidelines set out the minimum standards of conduct that must be adhered to by a capital market intermediary and its representatives, insofar as applicable, when carrying on a capital market related service.</p> <p>These Guidelines apply to a capital market intermediary and its representatives who carry on or provide a capital market related service as defined in the guidelines. A capital market intermediary and its representatives must carry on any capital market related service—</p> <ol style="list-style-type: none"> a. With honesty and fairness; b. With care, skill and diligence; c. By managing or mitigating any actual or potential conflicts of interest that may affect its clients' interest; d. With proper safeguards in place to protect clients' assets and information; and e. In a manner which promotes open and effective communication with clients and regulators at all times. <p>As the above are the minimum standards of conduct expected of a capital market intermediary and its representatives, compliance with these standards shall not be excluded or modified by a capital market intermediary through any provision, clause or term contained in any agreement, contract or document provided to clients.</p>	<p>Effective: 31.12.21</p>


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Circulars/Guidelines				
 <small>BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA</small>	04.01.22	Staff Training Expenditure for the year 2022	<p>This notification is issued to Reporting Entities (“REs”) referred to under the Staff Training Expenditure (“STE”) Policy Document (“PD”) issued by BNM on 23 December 2015.</p> <p>REs are exempted from complying with the STE requirements as provided in paragraph 6.1 under this Policy Document for the year 2022.</p> <p>Nevertheless, REs are expected to continue according priority to staff learning and development including in meeting the requirements for continuous professional development of staff.</p>	Effective: 01.01.22
 <small>BURSA MALAYSIA</small>	19.01.22	Amendments to Bursa Malaysia Securities Berhad ACE Market Listing Requirements in Relation to Director Appointment, Independence and Miscellaneous Changes (“Enhanced Director Amendments and Miscellaneous Changes”	<p>Key enhancements made in relation to independent director (“ID”) requirements are as follows:</p> <ol style="list-style-type: none"> a. Limiting the tenure of an ID to not more than a cumulative period of 12 years from the date of such person’s first appointment as an ID in the applicant, listed issuer of any one or more of its related corporations; b. Requiring justification for the appointment of an individual as an ID, and explanation why there is no other eligible candidate, if such individual had cumulatively served as an ID of the listed issuer or any one or more of its related corporations for more than 12 years before and observed the requisite 3 year cooling off period, in the statement accompanying a notice of annual general meeting and the immediate announcement in relation to the appointment of such ID; c. Requiring a listed issuer to have and publish on its website, a fit and proper policy for the appointment and re-election of directors of the listed issuer and its subsidiaries (“Director Fit and Proper Policy”), and disclose the application of the Directors’ Fit and proper Policy during the financial year in the nominating committee statement in the annual report (“NC Statement”); d. Mandating a listed issuer to have at least 1 woman director on its board; and e. Making other changes consequential to the enhancements above. 	Effective: 19.01.22

REGULATORY ALERTS

Circulars/Guidelines				
 <small>BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA</small>	31.01.22	External Sector Statistics ("ESS") System - Submission of International Transactions and External Position Information	<p>The PD sets out:</p> <ol style="list-style-type: none"> a. Responsibilities of a RE to record statistical information for the respective ESS Subject Areas; and b. Requirements for completing and submitting reports containing statistical information on the respective ESS Subject Areas by a RE to BNM. <p>The amendments as at January 2022:</p> <ol style="list-style-type: none"> a. Part A and G, streamlined the term Appointed Non Resident Financial Institution into Appointed Overseas Office (Updated); b. Part C, Paragraph 2.1 External Account definition (Updated); c. Part C, Paragraph 3.11(c)(vi)(A) SSM Registered Entity (for company, business, and Limited Liability Partnership) (New); d. Part D, Paragraph 3.7(b)(ii)(A) SSM Registered Entity (for company, business, and Limited Liability Partnership) (New); e. Part G, Paragraph 2 Appointed Overseas Office definition (Updated); f. Part G, Paragraph 3.1 General Procedures for the Reporting of Ringgit Settlements via ESS (Updated); g. Part G, Paragraph 3.3 Illustrations on the reporting requirements (Updated); h. Part G, Paragraph 3.6(b) Accuracy, Completion and Amendment of Data (Updated); i. Part G, Paragraph 4.4 Information on Ringgit Settlement (a-g & k) (Updated); j. Part J, Paragraph 2.1(b) Entity Information (List of Reporting) (Updated); k. Part J, Paragraph 5.2(c) Entity Data Maintenance (creation of Entity Information with BNM Assigned ID) (Updated); l. Appendix 1(c): List of Purpose Codes and Definition for Cash BOP reporting – Cash Pooling and interest transaction (Updated). 	Effective: 01.04.22
 <small>Suruhanjaya Sekuriti Securities Commission Malaysia</small>	31.01.22	P.U(A) 15/2022 Capital Markets and Services Act ("CMSA") 2007 - Capital Market and Services (Private Retirement Scheme Industry)	<p>SC has revised the CMSA in exercise of the powers conferred by section 139ZI of the CMSA 2007 [Act 671], the Commission, with the approval of the Minister for the following regulations:</p> <ol style="list-style-type: none"> a. Citation and commencement <ol style="list-style-type: none"> i. These regulations may be cited as the Capital Markets and Services (Private Retirement Scheme Industry) (Amendment) Regulations 2022; ii. These Regulations come into operation on 31 January 2022. b. Amendment of regulation 10 <ol style="list-style-type: none"> i. Duties and responsibilities of private retirement scheme provider; ii. A private retirement scheme provider. 	Effective: 31.01.22

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			<ul style="list-style-type: none"> c. Amendment of regulation 11 Substituting for the words "within two months after the request is received and upon payment of a reasonable sum as may be determined by the private retirement scheme provider". d. Amendment of regulation 12 In the, performance of its function and the management of all securities, derivatives, property and asset of a private retirement scheme under its custody and control. e. Amendment of regulation 17 The name, address and the particulars of passport or any evidence of travel document of the non-Malaysian citizen members; f. Amendment of regulation 26 An employer trustee approved under section 139ZF of the Act shall, in the performance of its function and the management of all securities, derivatives, property and asset of an employer-sponsored retirement scheme under its custody and control. 	
	31.01.21	Revised Guidelines on the Registration and Conduct of Capital Market Services	<p>SC has revised and amended the Guidelines on the Registration and Conduct of Capital Market Services Providers (Guidelines) as follows:</p> <ul style="list-style-type: none"> a. New paragraph inserted to provide for the requirement for the trustee to ensure that the funds are managed in accordance with the required principles and objectives; b. New paragraph inserted to incorporate certain duties and responsibilities of the PRS trustee found in the PRS Regulations into the Guidelines in order to streamline all trustee requirements into one guideline; c. New paragraph inserted to clarify that similar duties and responsibilities as set out in paragraph 6.13 are provided for in the CMSA for UTS trustee; d. New paragraph inserted to incorporate the continuous obligations of the PRS trustee found in the PRS Regulations into the Guidelines in order to streamline all trustee requirements into one guideline; e. New paragraph inserted to clarify that similar continuous obligations as set out in paragraph 7.09(e) and (f) are provided for in the CMSA for UTS trustee. 	Effective: 31.01.22