MALAYSIAN
INVESTMENT BANKING
ASSOCIATION
Persatuan Perbankan Pelaburan Malaysia

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The Quarterly Newsletter

COMPLIANCE TODAY

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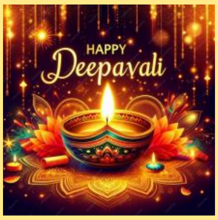

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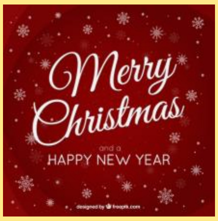

25 December 2024

Images: freepik.com

Local & Global News

MALAYSIA: SC Warns Publics on Deepfake Investment Scams Impersonating Prominent Personalities and Using Names of Reputable Companies.

The Securities Commission Malaysia (SC) cautioned the public on investment scam tactics using deepfakes created through artificial intelligence (AI) to mimic prominent people and names of reputable companies. SC has recently discovered a number of deepfake videos on Facebook. Perpetrators of these scams typically start by posting deepfake videos on social media platforms, which can then be disseminated across messaging apps.

These videos “feature” certain public figures or companies, in an apparent bid to lend credibility to their work. Through the use of AI technology, the video is manipulated to closely resemble the voices of these public figures, including lip-syncing, making the so-called investment opportunities appear genuine.

Typically, these deepfake videos would also promote investments purportedly offered by reputable companies. The postings include a "Learn More" button or link, redirecting interested parties to a sign-up page that gathers their personal information. Unsuspecting public accessing the link will also be asked to download an application, which could expose them to cybercrime risk. Once signed up, potential victims are contacted by agents who then deceive them, by asking to transfer money or provide further personal details.

SC, with the assistance of Meta, has removed such videos in order to curb access by the Malaysian public who may fall victims to these scams. In addition, SC will work with Malaysian Communications and Multimedia Commission (MCMC) and relevant authorities to take appropriate action against such investment scam activities.

The public is advised to be vigilant in evaluating investment offers, including ensuring that they do not transfer or deposit money into suspicious accounts and encouraged to verify investment offers through the SC Investment Checker.

Source: *www.sc.com.my*

MALAYSIA: SC Issues Guidance for Finfluencers

The Securities Commission Malaysia (SC) has updated the Guidance Note on the Provision of Investment Advice (Guidance Note). This is to address the growing popularity of financial influencers (finfluencers) promoting capital market products and services on social media, as well as to create greater public awareness.

The update clarifies SC’s regulatory expectation on finfluencers’ sharing of financial insights and recommendations on social media. SC aims to uphold parity in terms of regulatory treatment of finfluencers’ activities as providing investment advice is a regulated activity under the securities laws.

The Guidance Note clarifies that promotion of a capital market product on social media platforms require a licence from SC in certain circumstances. For example, the sharing of financial insights or recommendations that promote certain capital market products to followers with expectation of commissions or other rewards will require a licence.

Finfluencers should take note that engaging in unlicensed regulated activities is an offence which is punishable under the Capital Markets and Services Act 2007 (CMSA). Any person found guilty may be liable to a fine not exceeding RM10 million or imprisonment not exceeding ten years or both.

To guide finfluencers to comply with the CMSA, SC has also published an informative infographic with frequently asked questions and a checklist. Finfluencers should verify that the companies they promote are licensed or approved by SC by using the SC’s Investment Checker.

Source: *https://www.sc.com.my*

Local & Global News

MALAYSIA: Bursa Malaysia Introduces API Gateway for Enhanced Investors' Onboarding Experience.

Bursa Malaysia Berhad ('Bursa Malaysia' or the 'Exchange') has introduced an Application Programming Interface ('API') or API Gateway to increase the efficiency of the Central Depository System ('CDS') account management processes by Participating Organisations ('PO') or brokers. This initiative is part of the Exchange's leverage of technology to enhance the experience for CDS account holders, towards growing investor participation in the equities market.

The API Gateway streamlines the investor's onboarding journey, shortening turnaround time in account opening, or in updating and reactivation of accounts. With such improvements, investors can trade quickly, as and when they see the opportunity. The gateway enables POs to further digitalise their processes as part of business process improvement for customer experience and sustainability practices to reduce carbon footprint.

The API Gateway for CDS e-services is now operational. Five POs have signed up for the service - namely AmInvestment Bank Berhad, FSMOne - Online Retail Division of iFAST Capital Sdn Bhd, Hong Leong Investment Bank, Malacca Securities, and Moomoo Securities Malaysia.

The introduction of the API Gateway complements the recent unveiling of the BURSA Remisier Acquisition Hub ('BURSA REACH'), Malaysia's first profiling platform which facilitates connections between investors and dealer's representatives. These initiatives demonstrate the Exchange's use of technology to provide easy access to investment opportunities in the marketplace, and to foster a vibrant capital market.

Source: *https://www.bursamalaysia.com*

MALAYSIA: Reminder to All Capital Market Intermediaries to Ensure Continuous Compliance with the Minimum Financial Requirements

The Securities Commission Malaysia (SC) has observed with concern several instances where intermediaries have failed to maintain the minimum financial requirements at all times, as stipulated in subparagraph 4.04 (2) of the SC's the Licensing Handbook. This non-compliance poses significant risks to the integrity of the capital market and the protection of investors.

The purpose of SC's circular is to underscore the critical importance of adhering to the minimum financial requirements at all times. These requirements are designed to ensure that intermediaries are sufficiently capitalised to endure financial pressures and to safeguard investors from potential losses incurred by intermediaries.

All intermediaries are hereby reminded that should your financial position fall below the stipulated minimum financial requirements, you are prohibited from continuing to engage in regulated activities without prior written consent from the SC, pursuant to section 67 of the Capital Markets and Services Act 2007. In the event of a potential or actual breach of these requirements, you must notify the SC in writing immediately, detailing the corrective actions you intend to take.

Source: *https://www.sc.com.my*

Local & Global News

MALAYSIA: SC Begins 2nd Cohort of InvestED Leadership Programme

The Securities Commission Malaysia (SC) has commenced the second cohort of the investED Leadership Programme, an SC-led initiative to help ensure a sustainable talent pipeline for the capital market.

Launched by Prime Minister Dato' Seri Anwar Ibrahim in June 2023, the flagship graduate programme is also designed to help enhance the employability of local graduates. The initiative is the first ever such tie-up between the SC, the Ministry of Finance, the Ministry of Higher Education, the capital market industry and universities. investED is opened to all Malaysian graduates from all disciplines.

For the second cohort, the investED Leadership Programme offered placements to 268 trainees. On 1 August 2024, 197 trainees began a one-month comprehensive classroom training at the Asia School of Business in Kuala Lumpur. This will be followed by a six-month on-the-job experience with leading industry partners, beginning 1 September 2024.

This year, the investED programme has roped in a wider array of partner companies. They include investment banks, stockbroking firms, fund management companies, equity crowdfunding platforms, and advisory services. This is followed by the start of 2nd Cohort of Shariah Mentorship Programme to nurture Islamic capital market (ICM) talent. The SC announced on 29 July 2024 the start of the second cohort of the Shariah Mentorship Programme, stepping up its efforts to build an innovative and competitive ICM.

More than 250 applications were received when applications for the second cohort was opened in March this year, with 15 participants selected. This brings the cumulative number of participants in the program to 30 since inception.

Launched in October last year, the programme is a unique mentorship initiative to develop skilled Shariah professionals for the ICM. It is piloted through a strategic partnership with ISRA Consulting, a subsidiary of INCEIF University. This programme is one of the SC's initiatives under the Capital Market Masterplan 3 (CMP3) aimed at broadening the ICM's breadth and depth through talent development and capacity building.

Source: *https://www.sc.com.my*

MALAYSIA: Bank Negara, SC to Establish Integrated Dispute Resolution Scheme in 2025 - MoF

KUALA LUMPUR: Bank Negara Malaysia (BNM) and the Securities Commission (SC) will establish an integrated dispute resolution scheme (IDRS) to be known as the Financial Markets Ombudsman Service (FMOS) for the financial and capital market sector, said the Finance Ministry (MOF).

In a written response posted on Parliament's website on Thursday, the ministry said IDRS will be established in 2025 via a merger between the Ombudsman for Financial Services (OFS) and the Securities Industry Dispute Resolution Centre (SIDREC), offering alternative dispute resolution services for the capital market sector under SC regulation.

IDRS aims to increase the level of effectiveness of dispute resolution for the financial consumer and investor.

Source: *https://www.thestar.com.my*

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Local & Global News

Malaysia

MALAYSIA: SC Unveils Roadmap to Catalyse MSME and MTC Access to the Capital Market

The Securities Commission Malaysia (SC) on 23 May 2024 unveiled a 5-year Roadmap aimed at better positioning the capital market as an attractive and robust source of financing for micro, small and medium enterprises (MSME) and mid-tier companies (MTC).

MSME and MTC are the country's engine of growth, with MSME contributing about 38.4% of Malaysia's GDP and 48.2% of total employment in 2022. There are about 8,500 MTC, accounting for around 36% of GDP and 16% of the workforce. The Roadmap will complement and support existing national development policies, including the Madani economy framework, the 12th Malaysia Plan, the New Industrial Master Plan 2030 (NIMP 2030) and the National Energy Transition Roadmap (NETR).

It is supported by four ministries: the Ministry of Finance, Ministry of Investment, Trade and Industry, Ministry of Economy and Ministry of Entrepreneur and Cooperatives Development. Based on five guiding principles, the Roadmap sets out nine cross-cutting strategies and 36 key initiatives to be undertaken over the short-, medium- and long-term.

These initiatives can broadly be categorised into three approaches which are regulatory and product innovation, market infrastructure and capacity building. The Roadmap also benefitted from the inputs of the World Bank Group being the technical advisor. The SC is confident that the Roadmap will be a catalyst for the growth of MSME and MTC.

Source: *https://www.sc.com.my*

Malaysia

MALAYSIA: Webull Sees Greater Retail Participation Among Malaysians, Vying for Market Share

Webull Malaysia, the newest player in the local stockbroking industry, believes there are plenty of chances and is competing for a larger market share with the smooth experience provided by its recently released mobile trading application.

"I think there's potential for further retail involvement. On Bursa Malaysia, there are three million CDS (Central Depository System) account holders. There are two million users. However, there is a difference when compared to our demographic, the company's CEO Kenneth Chan said in an interview with The Edge. "Webull is entering Malaysia and we would like to respond to the request for more retail participation made by Bursa and the Securities Commission Malaysia. We think there is enough market size for us to coexist and add value.

Following Moomoo's February debut in Malaysia, Webull is the second electronic trading platform to introduce itself this year with the goal of taking a piece of the country's retail market. Similar to Moomoo, Webull offers all new users of its site, starting from the moment they establish an account, a 180-day period during which there is no commission paid.

Chan thinks that increased trading activity among regular investors will maintain its sustainable presence here, even with the low commission charge business model. "Given the upward trend in retail involvement in Malaysia, we have high hopes for future success in this market. We intend to address the needs of existing investors while also expanding our market share and attracting new ones.

Chan notes that the general trend has remained strong given the ease of retail participation on the local exchange, particularly when contrasted with the years before to COVID-19. He states, "The participation rate of retail investors on Bursa at 22% is comparable to that of other bourses in the region, which stands at approximately 20% to 30%." According to Bursa Malaysia data, the abundance of market liquidity in 2020 and 2021 caused retail participation to reach a peak of 37%. However, it returned to normal in 2022, 2023, and thus far this year, at 26%, 27%, and 22%. Retail involvement ranged from 22% to 26% between 2010 and 2019.

Local & Global News

Chan has worked in the local capital markets for almost 15 years, and the first portion of his career was before starting as a currency trader at the national bank, with Bank Negara Malaysia's investment operations division. Afterwards, he joined Bursa Malaysia, where he oversaw the initiative to expand the country's capital markets through product and market development. Before coming to work with Webull Malaysia, he worked in the asset management sector.

One of the main obstacles to retail investor engagement, according to Chan, is a lack of experience with investments. "People may be eager to try their hand at investing in the capital markets, but their capacity to make wise financial decisions may be hampered by their lack of confidence in their ability to understand finance and make sound decisions."

Thus, Webull wants to give investors the tools they need to increase their assets and wealth outside of the conventional savings channels.

Webull Malaysia offers its app users the ability to trade Bursa equities and derivatives in addition to US-listed stocks and exchange-traded funds, with the goal of creating a multi-asset platform. Derivatives like FBM KLCI futures contracts (FKLI) and futures contracts for crude palm oil (FCPO) are traded by investors.

Webull's trading platform is presently accessible in the US, the UK, Hong Kong, Singapore, Australia, South Africa, Brazil, Japan, Mexico, Canada, Indonesia, and Thailand. The company was founded in 2016 by a former employee of Alibaba Group Holding Ltd and Xiaomi Corp. It has its US headquarters. Its app has been downloaded over 40 million times worldwide.

Webull is very committed on localization, as evidenced by its tagline, "learning, sharing, and investing," and both English and Malay are available on all of its features, says Chan. Another thing that stands out is the level of technology that provides a seamless experience for investors, he adds.

Webull is focused on making investing accessible, he points out. "So we have no platform fees to ensure an affordable investment cost, making it accessible to all retail investors," he notes, adding that the availability of fractional trading will further increase accessibility for investors.

Webull charges 5 ringgits for trading in Bursa-listed stocks and 99 US cents for stocks listed in the U.S. The platform also features a Shariah Index to help investors identify Shariah-compliant stocks. Historically, financial inclusion has focused on expanding access to banking, but Chan believes the broader dimension of financial inclusion should include expanding capital markets, which means more long-term savings for asset accumulation. "The main problems facing non-participating investors need to be addressed," he says.

"First, providing them with solid investment knowledge can be the first step in allaying their fears. Second, before making an investment decision, it is useful to use technology to create an investor community that can be divided by both the world and the world by understanding and prospect. Finally, in order to meet the current expectations of access to information, user interfaces, experiences, and effective and affordable economic entry points, to make access of access easier. You can make investment travel more attractive and interactive, he adds.

Source: *https://theedgemalaysia.com*

Anti-Money Laundering News

Malaysia

MALAYSIA: Cops Freeze RM300mil Assets of Foreign Online Gambling Boss

The police's anti-money laundering (AMLA) force has frozen financial assets worth RM300 million belonging to a foreign online gambling boss attempting to launder cash in Malaysia.

AMLA force chief Hasbullah Ali said the assets comprise a central depository system account with stocks worth RM281 million, an escrow account worth RM18.6 million managed by an offshore bank in Labuan, and RM58,048 in two local bank accounts.

The case is being investigated under Section 4(1) of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001.

To help prevent money laundering, Hasbullah advised offshore banks to ramp up their due diligence and know your customer (KYC) processes for people who wish to open accounts.

Source: *https://www.freemalaysiatoday.com*

World

WORLD: OTC Link LLC Charged for Failing to File Suspicious Activity Reports

The Securities and Exchange Commission (SEC) filed charges against OTC Link LLC for failing to file numerous reports of suspicious financial transactions (SARs) for a period of more than three years. The SEC's order finds that OTC Link failed to adopt or implement reasonably designed anti-money laundering (AML) policies and procedures to surveil transactions conducted through its alternative trading systems for possible red flags of suspicious activity for the period from March 2020 through May 2023. As a result, OTC Link did not file any SAR.

OTC Link agreed to pay $1.19 million to settle the charges. Without admitting or denying the SEC's findings, OTC Link agreed to a censure and a cease-and-desist order in addition to the $1.19 million penalty. OTC Link is also required to continue its engagement of a compliance consultant to review and recommend changes to the firm's AML policies and procedures.

Source: *https://www.sec.gov*

Ethics & Governance News

Malaysia

MALAYSIA: BNM Fines Maybank, CIMB over RM5m for Prolonged Disruptions

KUALA LUMPUR (Aug 14): Bank Negara Malaysia on Wednesday imposed administrative penalties on the country's top two banks for prolonged service disruptions in breach of financial services laws.

Malayan Banking Bhd (KL: MAYBANK) was fined RM4.32 million while CIMB Group Holdings Bhd (KL: CIMB) was slapped with a RM760,000 penalties, Bank Negara Malaysia (BNM) said in separate statements. Both companies have paid the fines, it noted.

"BNM expects all financial institutions to maintain a high level of technology resilience against operational disruptions to ensure the continuous availability of essential financial services," the central bank said.

The central bank also stressed that it would not hesitate to take appropriate supervisory and enforcement actions when financial institutions fall short of regulatory expectations.

In imposing the penalties, BNM said it considered factors such as the failure to adequately address downtime and avoid non-compliance, the severity and impact of service disruptions on customers, and the institutions' past compliance records and history of enforcement actions.

Source: *https://theedgemalaysia.com*

Asia

ASIA: Singapore's High Court Underscores Management's Duty to Uphold Ethical Decisions

Singapore's High Court recently dealt with a case involving fraudulent practices in a company's financial operations, raising important considerations for corporate governance and employee conduct.

The case centered around a series of deceptive transactions orchestrated by high-ranking executives, which ultimately led to criminal charges.

While the details are intricate, the core issues revolved around the misuse of financial instruments and the responsibilities of company leaders in maintaining ethical business practices.

Company's Financial Troubles

The case involved a timber flooring company and its supplier, whose long-standing business relationship spanned 15 to 20 years. The timber flooring company's CEO and founder, along with the supplier's managing director, became embroiled in a scheme to obtain bank loans through fraudulent means.

At the heart of the matter were five charges of cheating against the CEO, who was accused of deceiving banks with false invoices and delivery orders to secure loans totalling over $2 million.

Source*: https://www.hcamag.com/asia*

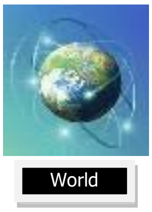
Ethics & Governance News

WORLD: Chinese Tycoon Guo Wengui Guilty in US of US$1 Billion Investor Fraud

Exiled Chinese tycoon Guo Wengui, whose crusade against the Communist Party attracted allies including Donald Trump associate Steve Bannon, was convicted for duping investors out of US$1 billion to fund his luxury lifestyle.

After a trial in Manhattan that lasted almost two months, Guo was found guilty on Tuesday (Jul 16) of fraud and racketeering conspiracy. Convicted on nine of the 12 counts against him, he faces as many as 20 years in prison on the most serious charges when he is sentenced on Nov 19. Guo "brazenly operated several interrelated fraud schemes, all designed to fleece his loyal followers out of their hard-earned money so that Guo could spend his days in his 50,000-square-foot mansion, driving his US$1 million Lamborghini, or lounging on his US$37 million yacht", Manhattan US attorney Damian Williams said after the verdict.

Source: *https://www.businesstimes.com.sg*



WORLD: Twenty-Six Firms to Pay More Than $390 Million Combined to Settle SEC's Charges for Widespread Recordkeeping Failures

The Securities and Exchange Commission (SEC) charged 26 firms consisting of broker-dealers, investment advisers, and dually-registered broker-dealers and investment advisers for longstanding record-keeping failures to pay totalling more than $390 million.

The firms and their employees involved personnel at multiple levels of authority such as supervisors and senior managers failed to maintain electronic communications. SEC's investigation revealed that there has been a longstanding use of unapproved communication method called off-channel communication. They were charged with violating certain record-keeping provisions under the Security Exchange Act, Investment Advisers Act or both. In addition to that, they were also penalised with failing to reasonably supervise their employees by preventing and detecting such violations

Source: *https://www.sec.gov*

WORLD: Ex-Mozambique Minister Guilty of Fraud Tied to Credit Suisse

Mozambique's former finance minister Manuel Chang was convicted of US charges that he was part of a US$2 billion bond fraud scandal that ensnared Credit Suisse Group AG and triggered a financial crisis for the African nation. A federal jury in Brooklyn, New York, on Thursday (Aug 8) found Chang guilty of conspiracies to commit wire fraud and money laundering. Both counts carry prison terms of as long as 20 years in prison.

During the three-week trial, prosecutors said Chang "played an essential role" helping Mozambique fraudulently get billions of dollars in loans from Credit Suisse and Russia's VTB Bank PJSC to fund three dubious maritime projects, including a tuna fishing fleet, shipyards and anti-piracy boats. In exchange for guaranteeing the loans, Chang pocketed and laundered US$7 million in kickbacks from shipbuilder Privinvest Group paid by its employee Jean Boustani, according to prosecutor Hiral Mehta in the office of Brooklyn US Attorney Breon Peace.

"The defendant at every step of the way made a choice," Mehta told jurors in closing arguments Monday. "He chose to take millions of dollars in bribes because he cared more about money than his position." The jury deliberated about two days before delivering the verdict. They had asked to re-hear testimony from former Credit Suisse bankers Andrew Pearse and Surjan Singh, who both pleaded guilty to being part of the bribery and bond-fraud scheme.

Source: *https://www.businesstimes.com.sg*

Rethink Your Digital Experience: 7 Benefits of Embracing Digital Transformation

For traditional banks, the imperative to modernize digital offerings is not just about staying relevant. It's about survival.

According to an American Bankers Association survey, nearly 80% of adults in the U.S. prefer banking through mobile apps or websites, and 61% of consumers are open to switching to a digital-only provider to get a better digital banking experience. Those statistics alone should be enough to motivate you to critically assess the digital banking experience you're providing for your customers. But that's just the beginning: your accountholders aren't the only ones affected by outdated back-office processes and technology. Your bank's support teams also struggle, resulting in decreased morale and higher employee turnover rates.

What Do You Stand to Gain from a Digital Transformation?

With so much at stake, it's more important than ever to make sure your digital banking solution can keep up with your customers' evolving needs. If it can't, making a change to your digital strategy could help. According to a study from Cornerstone Advisors, banks focusing on a digital transformation strategy have seen decreases in operational expenses, improvements in accountholder retention, and deposit and loan account opening productivity.

Need more evidence? Consider the following seven benefits that come from providing a modern digital banking experience.

1. Enhanced Customer Attraction and Retention
One of the most immediate and visible costs of not offering a modern digital banking experience is the loss of customers. Digital banks win business by focusing on user experience and product simplicity – something traditional banks often struggle to match. If you don't prioritize digital innovation, you risk a significant portion of your customer base defecting to more agile competitors. By providing a superior digital banking experience, you can enhance customer retention and attract new clients. Digital transformation strategies have been shown to significantly improve accountholder retention. A modern, intuitive digital platform can create a loyal customer base, reducing churn and increasing lifetime value.

2. Increased Revenue and Growth Opportunities
Extended periods of higher interest rates have resulted in tighter net interest margins across the financial services industry, making it harder for banks to grow revenue. Without modern digital solutions, it could be difficult to cut costs or improve operational efficiencies, which directly impacts your bottom line.
The primary goal of digital transformation is to boost revenue. A modern digital banking experience can open new revenue streams through innovative products and services tailored to your customers' needs. And by providing a platform that is easy to navigate and use, you can increase the uptake of products, such as loans and deposits, driving growth and profitability.

3. Improved Operational Efficiency and Reduced Costs
Banks spend a staggering 70% of their IT budgets on maintaining legacy systems. This leaves little room for innovation and new feature development. The high cost of maintaining outdated technology not only drains financial resources, but also limits your ability to respond quickly to market demands and customer needs. By automating processes, leveraging data analytics, and utilizing modern digital tools, you can streamline operations, reduce manual errors, and cut costs. This efficiency boosts profitability and frees resources to invest in further innovation and customer-centric initiatives.

4. Accelerated Time-to-Market for New Features
With the right digital strategy, you can bring new features to market more quickly. Open APIs and publicly available documentation are key enablers of this shift toward faster innovation. These technologies allow for seamless integration with third-party services, rapid development of new functionalities, and swift deployment, ensuring that you can meet customer demands in a timely manner.

5. Broader Appeal Across Generations

The projected growth of digital banking users in the United States to nearly 217 million by 2025 highlights a clear trend towards digital adoption. Although mobile banking is not solely for younger generations (91% of Gen Xers and 79% of baby boomers also use the technology), younger consumers are particularly drawn to seamless, intuitive digital experiences. By delivering this experience, you can cater to the preferences of different age groups, ensuring widespread adoption and satisfaction.

6. Lower Customer Friction and a Positive User Experience

Banks often suffer from fragmented and cumbersome digital experiences that frustrate users, leading to increased customer friction, lower satisfaction, and higher turnover rates. In a competitive market, poor user experience is a significant disadvantage that can erode customer loyalty and trust. Providing a modern digital banking experience substantially reduces customer friction and enhances the user experience. Intuitive, user-friendly platforms streamline interactions, making it easier for customers to perform transactions, access information, and manage their finances. This seamless experience minimizes frustration and boosts satisfaction, leading to higher customer retention and loyalty.

Additionally, modern digital tools enable personalized services that cater to individual needs and preferences, which further enriches the user experience. By eliminating the complexities and inefficiencies of traditional banking processes, a modern digital experience gives customers greater convenience and control, fostering a positive relationship with the bank.

7. Greater Productivity and Innovation

The absence of modern digital banking offerings can significantly hamper the productivity and innovation of your personnel. When employees are bogged down by outdated, inefficient systems that require manual intervention and lack the seamless integration of modern tools, they're forced to spend valuable time on routine tasks. This can stifle creativity and innovation, as personnel are unable to focus on strategic initiatives or explore new ideas. Relying on legacy systems creates a rigid environment where adapting to new market trends and customer demands becomes challenging, ultimately diminishing your ability to stay competitive and innovate effectively.

Conversely, digital transformation fosters a culture of innovation within financial institutions. Banks that embrace digital tools and strategies report improvements in deposit and loan account opening productivity. By adopting agile practices and leveraging technology, you can continually enhance your offerings, stay ahead of industry trends, and meet evolving customer expectations.

Take Strategic Steps to Facilitate Your Digital Transformation

In an era where digital experiences define consumer preferences and behaviours, you cannot afford to lag in digital innovation. Rethinking your digital experience and adopting a modern technology strategy can help ensure your digital banking solution is the right one to help you meet your organizational goals. And that's the key to meeting the evolving needs of today's consumers and securing your position in the competitive financial services landscape of the future. To fully reap the benefits of a modern digital banking experience, you must take strategic steps toward digital transformation. But where do you begin?

Start by evaluating your current digital banking solution in several key areas, including platform structure, data and analytics, and adoption and monetization potential, among others. In Rethinking Your Digital Banking Solution: 7 Key Factors, you can explore, in-depth, seven critical factors to evaluate when assessing your current digital banking solution.

Source: *https://bankingjournal.aba.com*

REGULATORY ALERTS

Circulars/Guidelines				
BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA	07.05.24	Specifications relating to Branch Closure	Bank Negara Malaysia (BNM) has revised its policy on branch closure to ensure continuous and convenient accessibility to banking and financial services. The specifications letter outlines revised requirements for licensed banks, licensed Islamic banks and licensed investment banks ('banking institutions') regarding the closure of full and limited services branches. 1. Banking institutions intending to close a branch must submit a notice of their intention to do so at least 30 working days prior to the proposed date of closure to BNM, along with the information provided in Appendix 1. The Notice must be submitted to Pengarah, Jabatan Rangkuman Kewangan (Financial Inclusion Department), Bank Negara Malaysia, Jalan Dato' Onn, 50480 Kuala Lumpur. This does not apply to branch office relocations within 5 km. 2. Prior to submitting the Notice, banking institutions must notify affected customers individually of the proposed branch closure in accordance with the timeline provided in item 2(a) in Appendix 1 and display a notice of the proposed branch closure prominently at the relevant Branch premises and on the banking institutions' websites, providing information on the nearest branch or alternative facility and contact information for customers to make enquiries or alternative arrangements for banking and financial services. 3. Banking institutions must engage elected representatives, business and consumer associations and other relevant stakeholders on their plans and address concerns raised regarding the availability of banking and financial services in the relevant location. Particular attention should be given to the elderly, persons with disabilities and customers in rural areas. Banking institutions must ensure that their Self-Service Terminals (SST) are made available within 5 km of the closing Branch to ensure continuous access to relevant banking and financial services. SST refers to computer terminals provided by the banking institutions that provide at least the services of accepting deposits and facilitating withdrawals of funds by customers. 4. Banking institutions may proceed with the proposed branch closure on the date specified in the Notice upon receiving written confirmation from BNM that it has no objection to the Branch closure. They must update Branch information in the Regulatory Approval Portal on the Kijang.Net platform within seven (7) working days from the date of the Branch closure.	Effective: As mentioned in the specifications letter.

REGULATORY ALERTS

Circulars/Guidelines				
			5. Banking institutions must provide BNM with a 12-month plan on Branch closures at the beginning of the calendar year or financial year to facilitate BNM's oversight of potential impact on financial inclusion due to Branch closures. The requirements in paragraphs 2, 3, 4, 5 and 6 are specified pursuant to sections 123(1) and 143(1) of the Financial Services Act 2013 and sections 135(1) and 155(1) of the Islamic Financial Services Act 2013 and are effective immediately. The Specifications on Policy on Branch Closure issued by BNM on 5 December 2016 is hereby revoked. For complete details, please refer to the specifications letter and its summary.	
Suruhanjaya Sekuriti Securities Commission Malaysia	13.05.24	Announcement on Cyber Threats in the Financial Sector	The rise of cyber enabled crimes impacting financial institutions is being highlighted by the Securities Commission Malaysia (SC). These crimes include fraud and cyber-attacks where perpetrators gain access to financial firms or manipulate victims to obtain confidential/personal information and syphon their funds or use their accounts. These crimes can occur through freelance work by personnel hiding their identities or nationalities at overseas IT-related companies or hacking activities that access cryptocurrency exchanges or accounts to steal funds or demand ransom. Financial gains from these activities may be channeled to high-risk sectors such as those financing proliferators of weapons of mass destruction. The Securities Commission Malaysia (SC) is reminding all reporting institutions to remain vigilant and address vulnerabilities in their businesses such as customer risk, cyber risk, personnel risk etc. Reporting institutions should implement appropriate control measures to mitigate the risk of cyber enabled crimes and adhere to the SC's Guidelines on Technology Risk Management and SC's Guidelines on Management of Cyber Risk to ensure the security, reliability and resilience of their entities.	Effective: N/A
Suruhanjaya Sekuriti Securities Commission Malaysia	31.05.24	Latest List of Shariah - Compliant Securities (as at 31 May 2024)	Shariah-Compliant Securities are securities of companies listed on Bursa Malaysia Securities Berhad that meet Shariah requirements and criteria set by the Shariah Advisory Council of the Securities Commission Malaysia (SC). The Shariah Advisory Council of the Securities Commission Malaysia (SC) releases and updates the list of Shariah-Compliant Securities twice a year, on the last Friday of May and November. The Latest List of Shariah-Compliant Securities (as at 31 May 2024) is available for viewing on SC's website at: - https://www.sc.com.my.	Effective: 31.05.24

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Suruhanjaya Sekuriti Securities Commission Malaysia	07.06.24	Announcement on Revised FAQ for Guidelines on Technology Risk Management (GTRM)	The Securities Commission Malaysia (SC) has released an updated set of Frequently Asked Questions (FAQ) for the Guidelines on Technology Risk Management (GTRM). The FAQ was revised based on feedback and queries received during an engagement held in early February 2024. The purpose of the FAQ is to assist capital market entities in understanding and applying the GTRM. It is recommended as a valuable reference for compliance and strengthening of technology risk management and cyber resilience before the GTRM takes effect on 1 August 2024. For additional information, queries can be emailed to GTRM@seccom.com.my. Capital market entities will be informed by the SC about the submission requirements for a declaration of compliance to the GTRM along with a provided template in due course.	Effective: 01.08.24
BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA	07.06.24	Direction on Dealings with Specified Person and in Restricted Currency	The Bank Negara Malaysia (BNM) issued a Direction on Dealings with Specified Person and in Restricted Currency. The direction came into effect on 3 January 2022. The BNM reiterates that the existing prohibition of the above Direction shall include any payments or transactions facilitated through designated payment cards issued by licensed onshore banks such as credit or debit cards with Specified Person (e.g., Israel-related merchants). Licensed onshore banks are reminded to ensure that their systems, internal controls and due diligence processes can identify, detect and prevent payments to Israel-related merchants processed through overseas third-party merchant acquirers. Any banks found facilitating these transactions may face appropriate action under the Financial Services Act 2013 / Islamic Financial Services Act 2013.	Effective: 03.01.22
BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA	11.06.24	Directive on Targeted Financial Sanctions Relating to Proliferation Financing (TFS-PF)	The Bank Negara Malaysia (BNM) has issued a directive to inform reporting institutions (RIs) about recent updates to the Strategic Trade Controller Directive on Targeted Financial Sanctions Relating to Proliferation Financing (TFS-PF). These updates are in accordance with the Strategic Trade Act 2010, Strategic Trade (United Nations Security Council Resolutions) Regulations 2010 and Strategic Trade (Restricted End-Users and Prohibited End-Users) Order 2010 by the Ministry of Investment, Trade and Industry. The Directive has been updated to incorporate changes to UN Security Council Resolution 2231 (2015) and introduce new requirements for countering proliferation financing (CPF) compliance.	Effective: 07.06.24

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			This includes conducting proliferation financing (PF) risk assessments and implementing mitigating measures. Businesses are now expected to identify, assess and understand PF risks based on their size, nature and complexity. They must also establish and monitor implementation of policies, procedures and controls to manage and mitigate identified PF risks. Enhanced controls should be put in place to detect breaches, non-implementation or evasion of TFS-PF when higher PF risks are identified. Full implementation of TFS-PF is required. The updated Directive took effect on 7 June 2024 and reporting institutions must comply with CPF and PF risk assessment requirements starting from this date. Any further changes to the Directive will be communicated from time to time. For more information, reporting institutions may refer to Appendix 1 of the Policy Document which provides guidance on the application of a risk-based approach and includes PF risk assessment requirements. Additionally, the upcoming Proliferation Financing Risk Assessment 2023 conducted by the National Coordination Committee to Counter Money Laundering will provide further information. If clarification is needed on the above, RIs can email to amlpolicy@bnm.gov.my. The updated Directive is available on the BNM website at: -https://amlcft.bnm.gov.my	
Suruhanjaya Sekuriti Securities Commission Malaysia	13.06.24	Announcement on Revised Guidelines on Prevention of Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing and Targeted Financial Sanctions for Reporting Institutions in the Capital Market	The Securities Commission Malaysia (SC) has issued amendments to the Guidelines on Prevention of Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing and Targeted Financial Sanctions for Reporting Institutions in the Capital Market (AML/CFT/CPF Guidelines). These guidelines consolidate two of the SC's previous guidelines, namely the Guidelines on Implementation of Targeted Financial Sanctions Relating to Proliferation Financing of Capital Market Intermediaries (PF Guidelines), which have now been subsumed into the Guidelines on Prevention of Money Laundering and Terrorism Financing for Reporting Institutions (AML/CFT Guidelines). The consolidated guidelines have been renamed as the AML/CFT/CPF Guidelines and will supersede the PF Guidelines. The revisions to the AML/CFT/CPF Guidelines were made to ensure that Malaysia complies with the updated international standards and guidance set by the Financial Action Task Force (FATF) in combating money laundering, terrorism financing, proliferation financing as well as on virtual assets and Virtual Assets Service Providers. The guidelines also address the compliance needs of the industry.	Effective: 13.06.24

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			The AML/CFT/CPF Guidelines have been amended with several key requirements. These include a focus on the roles and responsibilities of the board of directors and increased responsibilities for senior management. Reporting institutions must consider the results of the National Risk Assessment (NRA) and conduct their own institutional risk assessment, taking measures to manage and mitigate identified risks. Customer due diligence information must now include income or income range. Reporting institutions must adopt a risk-based approach that includes assessment and mitigation measures for proliferation financing risk. When establishing business relations with a legal arrangement, the reporting institution must ensure that the trustee or equivalent discloses their status. Additionally, beneficiary institutions are now obligated to verify beneficiary information received from ordering institutions, and both ordering and beneficiary institutions must conduct sanctions screening. Identification and due diligence on counterparty Virtual Asset Services Providers are also required for wire transfers of digital assets. In addition, the revised MITI Directive on Targeted Financial Sanctions Relating to Proliferation has been issued, effective from 7 June 2024. This directive is issued pursuant to section 6 of the Strategic Trade Act 2010 and outlines the specific obligations that reporting institutions must comply with based on FATF standards. These obligations include conducting institutional risk assessments, implementing measures and imposing targeted financial sanctions. The circular and directive can be accessed through the following links: - Circular of Strategic Trade Controller Directive on Targeted Financial Sanctions Relating to Proliferation Financing (TFS-PF) Directive on Targeted Financial Sanctions Relating to Proliferation Financing (TFS-PF)	
BURSA MALAYSIA	13.06.24	Directive on the List of Approved Securities	The list of 'Approved Securities' issued pursuant to Rule 8.22(5) of the Rules of Bursa Malaysia Securities Berhad vide R/R 7 of 2023 for purposes of Regulated Short Selling and Permitted Short Selling, has been amended with the inclusion of 45 new approved securities into the above list and the removal of 19 existing approved securities from the same list. The list of 'Approved Securities' for the purpose of Permitted Short Selling will be the same list for the purpose of Regulated Short Selling. The updated list of 'Approved Securities' mentioned above will take effect from 28 June 2024.	Effective: 28.06.24

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BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA	14.06.24	Policy Document on Reporting Requirement on Statistical Report of Labour Market Statistics (RLMS)	The revised Reporting Requirement on Statistical Report of Labour Market Statistics (RLMS) Policy Document sets out the specific requirements for submitting information on RLMS to the BNM. It also includes details on file specification and submission mode by the reporting entities. It was issued on 14 June 2024 and took effect from the same date. The revised RLMS includes updates such as the removal of reporting requirements for Money Services Business Licensees (MSBs) and the streamlining of terms according to FSA/IFSA. It also includes other administrative updates. This reporting requirement is applicable to FSA Licensees, IFSA Licensees and Prescribed Institutions under DFIA. The previous Policy Document on Reporting Requirements on Statistical Report of Labour Market Statistics [BNM/RH/PD/030/6_31012020] has been superseded. For enquiries, please email to policyhelp@bnm.gov.my.	Effective: 14.06.24
BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA	14.06.24	Capital Adequacy Framework (Capital Components)	The Policy Document titled "Capital Adequacy Framework (Capital Components)" was issued on 14 June 2024 and became effective on the same day. It provides general requirements for regulatory capital adequacy and sets out the components of eligible regulatory capital. The framework is based on internationally-agreed standards developed by the Basel Committee on Banking Supervision. The Policy Document shall be read together with the *Capital Adequacy Framework (Basel II – Risk-Weighted Assets)* which provides detailed requirements for calculating risk-weighted assets. Highlights of this 14 June 2024 update include the specification of transitional arrangements for determining the capital required for credit risk under the Standardised Approach in line with Basel III. This information can be found in the Policy Document on Capital Adequacy Framework (Standardised Approach for Credit Risk). The framework is applicable to FSA Licensees and supersedes the previous Policy Document titled "Capital Adequacy Framework (Capital Components)" issued on 15 December 2023. For any enquiries, please email to policyhelp@bnm.gov.my. The Policy Document also includes supporting attachments, namely CAF_CC Reporting Template_Dec2023.xlsx and Implementation Guidance CAF (Capital Components) _Dec 2020.pdf.	Effective: 14.06.24

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BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA	14.06.24	Capital Adequacy Framework (Standardised Approach for Credit Risk)	This Policy Document titled "Capital Adequacy Framework (Standardised Approach for Credit Risk)" was issued on 14 June 2024 and will be effective from 1 July 2026. It sets out the standards and guidance for financial institutions to calculate capital requirements for credit risk using the Standardised Approach in line with the Basel III international capital standards. This Policy Document shall be read together with the transitional arrangements specified in the Capital Adequacy Framework (Capital Components) and the Capital Adequacy Framework for Islamic Banks (Capital Components). The reporting template and regulatory reporting submission instructions for the Capital Adequacy Framework (Standardised Approach for Credit Risk) will be specified at a later date. Financial institutions applying the internal-ratings based approach for credit risk are exempt from complying with this framework until the policy document on the Capital Adequacy Framework (Internal-Ratings Based Approach for Credit Risk) is finalised and communicated. This Policy Document applies to FSA and IFSA Licensees. For any enquiries, please email to policyhelp@bnm.gov.my.	Effective: 01.07.26
Suruhanjaya Sekuriti Securities Commission Malaysia	14.06.24	Guidelines on Contracts for Difference	The Securities Commission Malaysia (SC) has issued the 3rd revision of the Guidelines on Contracts for Difference, which came into effect immediately upon issuance. The revised guidelines introduce several important amendments. <u>New Underlying Instruments</u> One significant change is the inclusion of three new types of underlying instruments for a Contract for Difference (CFD). These include units of a Real Estate Investment Trust (REIT) listed on Bursa Malaysia Securities Berhad or a foreign stock exchange, units of an Exchange Traded Fund (ETF) listed on Bursa Securities or a foreign stock exchange, and commodity derivatives listed on Bursa Malaysia Derivatives Berhad or a Specified Exchange. <u>SC's powers to grant exemptions or variations</u> Previously, the SC could grant exemptions or variations where it deems appropriate or upon application, but now it can only do so upon application. Additionally, the variation cannot be contrary to the intended purpose of the requirement or there must be mitigating factors justifying the exemption or variation. <u>Reduction in market capitalisation requirement for shares listed on Bursa Malaysia Securities</u>	Effective: 14.06.24

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			Another amendment is the reduction in the market capitalisation requirement for shares listed on Bursa Securities. The minimum average daily market capitalization (excluding treasury shares) for the three months prior to the offer date has been lowered from RM1 billion to RM500 million. <u>Requirements for REIT listed on Bursa Malaysia Securities</u> For REITs listed on Bursa Malaysia Securities, certain requirements must be met. The underlying instrument must be listed on the Main Board of Bursa Malaysia Securities, and the REIT must have an average daily market capitalisation of at least RM500 million in the past three months. In the case of a newly listed REIT, the market capitalisation track record must be at least RM3 billion. The REIT must also meet the public shareholding spread requirement. <u>Requirement for ETF listed on Bursa Malaysia Securities</u> For ETFs listed on Bursa Securities, the underlying instrument must be listed on the Main Board of Bursa Malaysia Securities. <u>Requirements for REIT and ETF listed on foreign securities exchange</u> If the REIT or ETF is listed on a foreign securities exchange, additional requirements apply. The REIT or ETF must be listed on an exchange in a jurisdiction where the capital market operator is a signatory of the International Organisation of Securities Commissions multilateral memorandum of understanding. The REIT or ETF must also have an average daily market capitalisation of at least RM3 billion in the past three months or RM5 billion for newly listed REITs or ETFs. Compliance with the listing rules and requirements of the home exchange at the date of offer is necessary, and information on the price, volume, financial information and price sensitive information about the REIT or ETF must be easily accessible by investors. <u>Additional requirement where underlying instrument is ETF units</u> If the underlying instrument is an ETF, the CFD provider must ensure that the ETF is not a leveraged or inverse ETF. <u>Requirements for commodity derivatives</u> For commodity derivatives, the underlying instrument must be listed on Bursa Derivatives or a Specified Exchange. Information about the underlying commodity derivatives, including price, volume and contract specifications must be easily accessible to investors.	

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			Additional requirement where underlying instrument is REIT units If the underlying instrument is units of a REIT, the CFD shall not have any voting rights or embedded options for conversion into the underlying units of a REIT. Minimum margin requirements There are also minimum margin requirements for open positions in CFDs. ETF units require a minimum margin of 20%, while REIT units require 10% for index REIT and 20% for non-index REIT. Commodity derivatives have a minimum margin requirement of 15%. Guidance to Paragraph 6.01(a) A new guidance note has been added to clarify Paragraph 6.01(a) of the Revised Guidelines. This note states that the disclosure document and product highlights sheet (PHS) provided to a client prior to account opening should include any supplementary disclosure document and supplementary PHS issued by the CFD provider. Minimum information to be disclosed Paragraph 6.02 has been revised to clearly distinguish between the minimum information to be disclosed in a disclosure document (Schedule 1 of the Revised Guidelines) and a PHS (Schedule 2 of the Revised Guidelines). It also requires CFD providers to comply with the SC's Guidelines on Sales Practices of Unlisted Capital Market Products for PHS requirements. Registration of disclosure document The registration process for a disclosure document has also been amended. It is now considered registered if deposited with the SC in accordance with Paragraph 6.13, along with other specified documents. Submission Procedure The submission procedure for documents has changed as well. CD-ROM format submissions have been replaced with electronic copies, and all accompanying documents must now be submitted in electronic format. Schedule 2 Several paragraphs in Schedule 2 of the Superseded Guidelines have been removed in the Revised Guidelines. These requirements are already covered in the Guidelines on Sales Practices of Unlisted Capital Market Products.	

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			The removed paragraphs include those related to the date of issuance of a PHS, contact information for enquiries or complaints, font size and pagination requirements of a PHS, as well as advising investors to read and understand the disclosure document before investing. <u>Other amendments</u> Additional amendments have been made to clarify certain provisions, remove certain definitions, relocate certain provisions and to include consequential amendments resulting from the introduction of three new types of underlying instruments.	
BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA	21.06.24	Guidance on Common Stress Test Scenarios for Technology Risk	The importance of banking institutions' readiness to handle cyber-attacks and service provider failures has been highlighted due to the increasing digitalisation of financial services. To strengthen the resilience of the banking system, a thorough stress testing programme is crucial. Proper planning is essential as it requires various resources to carry out and improve the stress testing programme. Bank Negara Malaysia defines banking institutions as person licensed to carry on banking or investment banking business under the Financial Services Act (FSA) or Islamic banking business under the Islamic Financial Services Act (IFSA). It also includes licensed banks and investment banks approved by Bank Negara Malaysia to conduct Islamic banking business, along with any other persons specified by Bank Negara Malaysia. In the second half of 2023, Bank Negara Malaysia conducted a thematic review on a selection of banking institutions, including 8 licensed banks, 2 licensed investment banks and 2 licensed Islamic banks. The purpose of the review was to assess the adequacy of their stress testing practices in managing operational disruptions resulting from cyber-attacks or technical failures. These banking institutions were chosen based on their collective systemic importance. The review of banking institutions' information technology (IT) stress testing programmes has found that most banking institutions have effective programmes in place. These programmes have led to well-informed decisions regarding capital and risk management, particularly in areas such as security controls, recovery planning, and cybersecurity awareness. However, several gaps were identified in these stress testing approaches: -	Effective: N/A

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			1. One notable gap is that the severity of the stress parameters and scenario depth was often lacking. The scenario narratives tended to focus on disruptions to a single IT system, rather than encompassing multiple service delivery channels over an extended period. Some institutions even relied on an outdated scenario issued by the Bank Negara Malaysia in 2018, failing to consider emerging technology and cyber risks. 2. Additionally, few banking institutions proactively assessed crisis communication plans and alternative workarounds to maintain service continuity during operational disruptions. The Bank Negara Malaysia believes there is room for improvement in evaluating the potential impact of incidents on customers and ensuring the adequacy of contingency arrangements to maintain public confidence in the banking system's reliability and security; and 3. Furthermore, banking institutions demonstrated a lack of depth in quantifying potential financial losses resulting from severe operational disruptions. Insufficient loss event data contributed to this issue. Most institutions deemed the likelihood of severe operational disruptions leading to non-viability as highly unlikely, with only two banking institutions employing risk quantification models. This highlights the need for banking institutions to develop risk quantification capabilities to make better-informed investment decisions in risk reduction. In response to these findings, the Bank Negara Malaysia is issuing further guidance on common IT stress testing scenarios and minimum shock parameters for banking institutions to enhance their stress testing programmes. These details can be found in Appendix 1 of the letter. Banking institutions are advised to adopt this guidance, along with any subsequent updates or superior alternatives into their existing IT stress testing programme promptly. Any questions should be directed to the Bank Negara Malaysia via email to the designated supervisory officer or trsu@bnm.gov.my	

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Suruhanjaya Sekuriti Securities Commission Malaysia	25.06.24	Amendments to First Schedule and Second Schedule of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001	The Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities (Amendment of First and Second Schedules) Order 2024 has made changes to the First Schedule and Second Schedule of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFPUAA). Following the amendment of first schedule, Capital Market Services License holder in Advising on Corporate Finance is now considered a Reporting Institution under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFPUAA). As a Reporting Institution, Capital Market Services License holder in Advising on Corporate Finance is required to comply with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFPUAA) and the Securities Commission Malaysia's Guidelines on Prevention of Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing and Targeted Financial Sanctions. This includes adhering to provisions on internal programmes, obligations of the board and senior management, risk assessments, customer due diligence, reporting obligation and targeted financial sanctions. The amendment came into effect on 15 June 2024. For more information on the Order and the Securities Commission Malaysia's AML/CFT/CPF requirements, please click on the links below: - https://lom.agc.gov.my Guidelines on Prevention of Money Laundering and Terrorism Financing for Reporting Institutions in the Capital Market (sc.com.my)	Effective: 15.06.24
BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA	25.06.24	Disposal and Purchase of Impaired Loans/Financing	Bank Negara Malaysia (BNM) has issued a policy document on the disposal and purchase of impaired loans/financing. The policy document aims to increase the number of buyers in the market and enhance protection for borrowers whose loans or financing are sold to non-bank buyers. The policy document also seeks to improve efficiency in the disposal and purchase process. The policy document applies to licensed banks, investment banks, Islamic banks and non-bank buyers in Malaysia. It supersedes the Guideline on the Disposal/Purchase of Non-Performing Financing by Islamic Banks (BNM/RH/GL/002/7 dated 16 January 2006) and the previous Disposal and Purchase of Impaired Loans/Financing (BNM/RH/ED/029/32 dated 19 June 2023).	Effective: 25.06.24

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			In June 2023, BNM conducted consultations on a draft of the policy document receiving feedback from 33 respondents representing 31 banking institutions and 2 non-banks. The policy document was issued on 25 June 2024 and is effective as of the same date. It was published by the Consumer and Market Conduct Department and includes supporting documents such as Frequently Asked Questions, an Exposure Draft and feedback statement. For enquiries, please contact policyhelp@bnm.gov.my.	
BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA	05.07.24	Notice pursuant to Section 83 of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA) on the Statements Issued by the Financial Action Task Force (FATF)	This notice is to inform the Reporting Institutions (RIs) of the recent statements issued by the FATF in June 2024, regarding the High-Risk Jurisdictions subject to a Call for Action and Jurisdictions under Increased Monitoring: - 1. The statement on the Democratic People's Republic of Korea continues to call upon FATF members and other jurisdictions to apply effective countermeasures and targeted financial sanctions, in accordance with applicable United Nations Security Council Resolutions. 2. The FATF's Call for Action on Iran for the application of enhanced due diligence and effective countermeasures remains in effect. 3. The FATF's Call for Action on Myanmar remains in effect for the application of enhanced due diligence measures, proportionate to the risks arising from the jurisdiction. When applying enhanced due diligence measures, countries are required to ensure that flows of funds for humanitarian assistance, legitimate non-profit organisation activity and remittances are not disrupted. 4. The FATF has included Monaco and Venezuela into the Increased Monitoring process due to strategic deficiencies in their regime to counter money laundering, terrorist financing, and proliferation financing, and has removed Türkiye and Jamaica from the Increased Monitoring process. Reporting Institutions (RIs) are also required to consider other jurisdictions under the Increased Monitoring for risk assessment purposes.	Effective: 05.07.24

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BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA	28.06.24	Reporting Requirements on Financial Inclusion Survey Submission for Reporting Entities	The Policy Document titled "Reporting Requirements on Financial Inclusion Survey Submission for Reporting Entities" was issued on 28 June 2024 and took effect from 1 July 2024. This Policy Document sets out the reporting requirements and technical specifications for submitting Financial Inclusion Survey (FIS) data to the Bank Negara Malaysia (BNM). Updates in this version include reporting requirements for e-money issuers, data validation checking for insurers and takaful operators, and administrative updates. All other requirements remain the same as the previous version issued on 27 September 2019. The Policy Document applies to Prescribed Institutions under DFIA, FSA Licensees, and IFSA Licensees. This Policy Document supersedes the previous version issued on 27 September 2019 titled Reporting Requirements on Financial Inclusion Survey Submission. For enquiries, please contact policyhelp@bnm.gov.my. The supporting attachment is the KijangNet Dissemination Portal User Manual.pdf.	Effective: 01.07.24
Suruhanjaya Sekuriti Securities Commission Malaysia	18.07.24	Revised Guidance Note on the Provision of Investment Advice for Financial Influencers (finfluencers)	The Securities Commission Malaysia (SC) has revised the Guidance Note on the Provision of Investment Advice to regulate the activities of financial influencers (finfluencers) on social media. The SC aims to ensure that financial influencers (finfluencers) comply with regulatory expectations when sharing financial insights and recommendations. The Guidance Note clarifies that promoting certain capital market products on social media may require a licence from the SC, especially if there is an expectation of commissions or rewards. Engaging in unlicensed regulated activities is an offence under the Capital Markets and Services Act 2007 (CMSA) and may result in a fine not exceeding RM10 million or imprisonment not exceeding ten years or both. To assist financial influencers (finfluencers) in complying with the Capital Markets and Services Act 2007 (CMSA), the Securities Commission Malaysia (SC) has published an infographic with FAQs and a checklist. Financial influencers (finfluencers) are advised to verify the licensing status of the companies they promote using the SC's Investment Checker. The SC will continue to monitor the capital market and issue guidance to ensure a fair and orderly market.	Effective: 18.07.24

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Suruhanjaya Sekuriti Securities Commission Malaysia	18.07.24	Reminder on the Requirements to Implement Control Measures in Accepting Third Party Deposits	The Securities Commission Malaysia (SC) has identified deficiencies in controls over third-party deposits among some capital market intermediaries leading to delays or failures in detecting frauds and misappropriations, resulting in financial losses. The Securities Commission Malaysia (SC) emphasizes the importance of implementing robust controls to mitigate risks associated with third-party deposits, as outlined in its Guidelines on Prevention of Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing and Targeted Financial Sanctions for Reporting Institutions in the Capital Market. In order to ensure compliance and enhance the integrity of the capital market, the Securities Commission Malaysia (SC) requires all capital market intermediaries to take the following measures: - 1. Conduct a comprehensive risk assessment to determine when third-party deposits can be accepted, establish and enforce clear, comprehensive and effective monitoring policies and procedures, and conduct due diligence on third-party deposits to ascertain the third-party payor's identity [including identification number, residential address and contact number], the customer relationship and the reason for the deposit. 2. Capital market intermediaries must also implement effective monitoring systems and controls to identify and accept third-party deposits, such as requesting copies or images of customer cheques, remittance application forms or bank-in slips to verify the transaction's legitimacy. Cash or cash deposits from customers are prohibited, as well as Unit Trust Consultants from accepting deposits or making payments on behalf of customers from their personal bank account(s). 3. Capital market intermediaries should remind customers not to pay in cash or deposit cash into their bank account(s). Customers should also avoid paying in cash or issuing cheques directly to personal bank accounts of Unit Trust Consultants or individuals claiming to represent the capital market intermediary for investment transactions. Instead, cheques should be made payable to the capital market intermediaries with necessary details on the back of the cheque such as name, identification/company number and account number. Customers must receive copies of investment forms, transaction confirmations and account statements directly from the capital market intermediary. If customers have doubts about document authenticity, they should verify directly with the capital market intermediary.	Effective: Immediately

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			Capital market intermediaries must enforce these measures promptly to protect market integrity and investor interests. For questions or clarifications, please contact the SC officer in the Intermediary Supervision Department.	
BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA	06.08.24	Revised Requirements and Timeline for ISO 20022 Migration Project	The Bank Negara Malaysia (BNM) has announced revised requirements and timelines for the ISO 20022 migration project for RENTAS payment transactions. The BNM appreciates the industry's support in completing the ISO 20022 migration exercise on 1 July 2024, highlighting the importance of futureproofing Malaysia's financial market infrastructure. The BNM also shares initial observations on the recent RENTAS migration and informs the industry of revised timelines for cross-border migration and related reporting obligations <u>RENTAS Migration: Continued Submission of MT Messages</u> Despite the successful migration, some financial institutions continue to submit some RENTAS payment transactions using the MT format, indicating a lack of internal awareness on the latest RENTAS requirements and changes in operating procedures. BNM reminds the industry to ensure all RENTAS incoming and outgoing payment transactions are conducted exclusively in ISO 20022 format, effective information flow within the organisation and close monitoring of post-migration issues. Financial institutions are required to inform the BNM via email of any issues or challenges that may hinder the institution from conducting RENTAS payment transactions in ISO 20022. <u>Cross-border Migration</u> <u>a) Alignment with Updated SWIFT Timeline</u> SWIFT has extended the timeline for non-key message types, while retaining the original deadline of November 2025 for key message types. Key message types must be fully migrated by the BNM's earlier set domestic deadline of 30 June 2025. For all remaining message types, financial institutions must follow SWIFT's timeline, with the earliest deadline being November 2026. This alignment provides a five-month buffer period to address potential delays and allows flexibility for managing resources. The updated timeline and migration requirements for cross-border payments are detailed in Appendix I and Appendix II, which outline the timeline and categorisation of message types as defined by SWIFT.	Effective: As mentioned in the notification letter

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			b) Accelerate Project Commencement The BNM has observed that a few financial institutions have not initiated their cross-border migration projects, and expects them to commence their migration project latest by 1 September 2024. This progress will be reflected in the September 2024 Monthly Progress Update (MPU) report, due for submission by 7 October 2024. c) Updated Reporting Obligations on Implementation Progress The BNM has revised the MPU template (attached as Appendix III) to be used for the August 2024 submission, due on 7 September 2024 in line with updated requirements and timelines. Any revisions to financial institutions' plans following this update must be promptly communicated to the BNM. After completing cross-border migration, each financial institution must submit two formal attestations to the BNM confirming migration of key message types by 30 June 2025 (Part A) and other relevant message types by November 2026 (Part B). These attestations must include supporting documents to ensure that clear and effective communication within the financial institutions regarding the requirements has been duly performed. The attestations need to be reviewed by the compliance function and endorsed by a Management-level officer (e.g. Chief Operating Officer, Chief Technology Officer, etc.) overseeing migration. The attestation template in Appendix IV can be used. Financial institutions that have already completed cross-border migrations are requested to submit a one-time attestation covering both Part A and B by 1 September 2024. Financial institutions are reminded to adhere to the above requirements, maintain effective internal communications, ensure regulatory compliance, and inform the BNM of any emerging issues promptly. Timely migration to ISO 20022 for cross-border payments is crucial, and Financial institutions should allocate sufficient time for testing. For further information or enquiries, please contact ISO20022@.bnm.gov.my or the BNM officers as mentioned in the notification letter. For complete details, please refer to the BNM's Notification Letter, its summary and Appendix III (Revised MPU template).	

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Suruhanjaya Sekuriti Securities Commission Malaysia	06.08.24	Anti-Money Laundering, Counter Terrorism Financing and Counter Proliferation Financing - Thematic Review on Legal Arrangements 2023	In 2023, the Securities Commission Malaysia (SC) conducted a study in response to money laundering and terrorism financing (ML/TF) risks associated with legal arrangements, as outlined in the Financial Action Task Force's Standards on Transparency and Beneficial Ownership of Legal Arrangement. The study aimed to understand the steps taken by intermediaries to comply with regulations and reduce ML/TF risks linked to legal arrangements. The thematic review focused on various types of Legal Arrangements (LAs), including express trusts like private trusts, charitable trusts, foundations, and implied and commercial trusts. Key aspects examined included customer onboarding, business-based risk assessment (BbRA), and customer risk profiling. The review encompassed 129 intermediaries. In the stockbroking, derivatives broking and unit trust/fund management sector (referred to collectively as reporting institutions), LA customers made up less than 0.1% of total customers in 2022, with their transactions accounting for less than 6% of the total transactions amounting to RM8.97 trillion from 2020 to 2022. The thematic review highlights the stockbroking, derivatives broking and unit trust/fund management sector's encouraging commitment to addressing the ML/TF risks linked to Legal Arrangements (LAs). Although exposure to LA customers remains low, the sector has effectively integrated ML/TF risks from LAs into its risk assessment and control mechanisms, indicating a robust, comprehensive risk management approach. As the sector faces evolving challenges, vigilance in managing LA-related risks is crucial to maintain resilience against money laundering and terrorist financing threats. The SC is dedicated to upholding compliance standards and promoting a secure financial environment. Examples of good practices in the sector include: - 1. Comprehensive Risk Assessment: Incorporating ML/TF risks from LAs into Business Risk Assessments (BbRA) to manage risks effectively. 2. Diverse Risk Criteria: Utilizing multiple risk criteria for assessing ML/TF risks of LA customers during onboarding and ongoing monitoring. 3. Database Management: Maintaining databases with beneficial owner information of LA customers for transparency and due diligence. 4. Risk-Based Approach (RBA): Applying consistent parameters or criteria for ongoing monitoring of LA customers in line with risk profiles.	Effective: N/A

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			Diagram 1 illustrates the risk considerations during the onboarding and ongoing monitoring of LA customers, including: - • Understanding the trust's primary purpose and its ML/TF risk level. • Assessing the settlor's background and wealth source. • Analyzing trust structure and parties involved. • Evaluating trustee roles and trust investments. • Identifying trust types and beneficiaries. • Reviewing jurisdiction/associated ML/TF risks. The thematic review is available on the SC website at: - here	
BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA	08.08.24	Parallel reporting for Capital Adequacy Framework (Operational Risk**)**	Bank Negara Malaysia (BNM) has issued a policy document on Capital Adequacy Framework (Operational Risk) on 15 December 2023 to set standards and guidance for banking institutions to calculate capital required for operational risk in line with Basel III. A parallel reporting exercise will be conducted to transition smoothly to the new Basel III reporting requirements before the policy document on Capital Adequacy Framework (Operational Risk) comes into effect on 1 January 2025. This exercise will help identify any potential transitional issues related to reporting submissions as specified in paragraph 17.11 of the policy document on *STATsmart Reporting - Financial, Compliance and Industry Specific Data*. During the parallel reporting exercise, banking institutions must calculate the risk-weighted assets position of Operational Risk (OR RWA) based on the policy document on Capital Adequacy Framework (Operational Risk) requirements. Banking institutions must submit their OR RWA positions under the policy document on Capital Adequacy Framework (Operational Risk) to the BNM for the reporting dates of 30 September 2024 and 31 December 2024 at: - (a) entity level, which refers to the global operations of the banking institution (i.e. including its overseas branch operations) on a stand-alone basis; (b) consolidated level, which includes entities covered under entity level requirement, and the consolidation of all subsidiaries, except insurance and/or takaful subsidiaries, and; (c) for a banking institution carrying on *Skim Perbankan Islam* (SPI), at the SPI level, as if it were a stand-alone banking institution. The completed reporting templates for the Basel III OR RWA positions is to be submitted through the STATsmart Integrated Submission Platform (ISP) of Kijang.Net no later than 15 days for entity level and 60 days for consolidated level from the said reporting dates. Hardcopy submissions are not required.	Effective: As mentioned in the notification letter

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			Banking institutions must continue to submit Basel II OR RWA positions until 31 December 2024 as per the paragraph 40.1 of the *Capital Adequacy Framework (Capital Components)* and *Capital Adequacy Framework for Islamic Banks (Capital Components)* policy documents. From 1 January 2025, banking institutions shall calculate and submit to the BNM OR RWA positions based on Basel III, which will be used to determine total risk-weighted assets positions. Enquiries about parallel reporting may be directed to pfpconsult@bnm.gov.my and jps_bkg@bnm.gov.my. For complete details, please refer to the BNM's Notification Letter and its summary.	
Suruhanjaya Sekuriti Securities Commission Malaysia	13.08.24	Reminder to All Capital Market Intermediaries to Ensure Continuous Compliance with the Minimum Financial Requirements	The Securities Commission Malaysia (SC) has issued a circular urging all capital market intermediaries[1] to maintain their minimum financial requirements at all times, as stipulated in subparagraph 4.04 (2) of the SC's the Licensing Handbook. An extract of subparagraph 4.04 (2) of the SC's the Licensing Handbook states that a CMSL holder, regardless of the type of regulated activity that it carries out, must maintain at all times the applicable minimum financial thresholds set out in Table 1. This is to ensure the integrity of the capital market and protect investors from potential losses. If a capital market intermediary's financial position falls below these requirements, they are prohibited from engaging in regulated activities without prior written consent from the SC. If a breach occurs, the SC must be notified in writing, detailing the corrective actions planned. To ensure ongoing compliance, the SC expects all capital market intermediaries to establish clear monitoring and control mechanisms, identify potential issues that could lead to a breach and notify the SC immediately. Non-compliance may lead to regulatory actions, including suspension or cessation of their ability to conduct regulated activities. The SC requires all capital market intermediaries to treat these reminders seriously and implement necessary controls without delay. Capital market intermediaries should contact the relevant officer in the SC's Intermediary Supervision Department for further clarification or queries. The SC expects all capital market intermediaries to take necessary steps to ensure full compliance with regulatory requirements.	Effective: Immediately