

Highlights of the SIDC Compliance Roundtable 2023

Sime Darby Convention Centre |

21 November 2023 |

9.00 am to 1.30 pm

Event moderated, and slides prepared by Sue Wan Wong,
Partner, Wong & Partners

Agenda

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[Session 1](#) – Regulatory Horizon Scanning:
Preparing for Emerging Compliance Trends

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[Session 2](#) – Fortifying the Financial Fortress:
Cybersecurity Compliance and Resilience in Capital Markets

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Navigating ESG Factors

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[Session 4](#) – Creating a Positive Corporate Culture



Session 1 – Regulatory Horizon Scanning: Preparing for Emerging Compliance Trends

Key Panelists:

[Munirah Abdul Rahman](#), Deputy General Manager, Key Financial Group , Securities Commission Malaysia

[Bonnie Ten Ten Lee](#), Director, Regulatory & Risk Advisory, Deloitte Malaysia

Moderator:

[Wong Sue Wan](#), Partner, Wong & Partners

Regulations to evolve given the increase use of technology and social economic changes



Increase use of technology

Reliance on technology

- Organisations have adopted technology in its operations; greater deployment of it in the provision of services.
- Organisations must be operationally resilient and manage technology risk, i.e.,:
 - business continuity management (BCP; testing);
 - third party management (vendor due diligence; concentration risk).



Social economic changes

Social-economic changes

- Increased use of technology has resulted in structural changes to the social economic landscape
- Upcoming regulations will focus on:
 - technology risk management;
 - conduct, i.e., conduct guidelines to manage risk when online platforms are used as a distribution channel;
 - vulnerable investors, i.e., the indicators and suitability of product/services for customers.



Compliance Officers

Fostering Culture

- Supervisory assessment will include culture.
- Promoting good culture is the key driver for compliance.
- This will entail (amongst others):
 - training on conduct and corporate values as part of the onboarding process for new hires;
 - incentives should be linked to performance.

Key Takeaways



Upcoming regulatory focus and changes include technology risk management; conduct guidelines; treatment of vulnerable customers; suitability assessment of product.



Repositioning of compliance requirement for ESG guidance note; but will be on the basis of proportionate regulation.



Supervisory focus of the SC will shift towards culture of the organization; and there will be greater use of data by the SC for supervisory monitoring.



Session 2 – Fortifying the Financial Fortress: Cybersecurity Compliance and Resilience in Capital Markets

Key Panelists:

[Sarbnedhan Singh Sandhu](#), General Manager of Cyber Security at Securities Commission Malaysia

[Dr Maslina Daud](#), Senior Vice President of CyberSecurity Malaysia

[Rodney Lee](#), Senior Vice President of FIRMUS

Moderator:

[Wong Sue Wan](#), Partner, Wong & Partners

Cybersecurity Concerns within the Capital Market Sphere



Role of Compliance Officers

- Compliance officers can be a strong advocate of utilizing technology or services as a means to ensure compliance with regulations.



Purpose of the GTRM

- Guidelines on Technology Risk Management ("**GTRM**") sets out the expectations of SC.
- Capital market intermediaries to undertake 'self-policing', i.e., calibrate the requirements against the risk level in their organisations.



Cyber-threats

- Cyber-attacks against capital market intermediaries in Malaysia are prevalent.
- The most common type of attacks include DDOS, phishing and ransomware.

Emerging Regulations in 2024



Cybersecurity Bill

- The Cybersecurity Bill is expected to be tabled next year.
- Likely that incident reporting of cybersecurity breaches will be mandatory for certain sectors.
- Likely that powers will be given to the relevant governmental agencies to enforce such obligations.



Personal Data Protection Act ("PDPA") 2.0

- Incident reporting is currently optional.
- Likely that in tandem with a Cybersecurity Bill, the PDPA may have to change and data breach incident reporting may be mandatory.

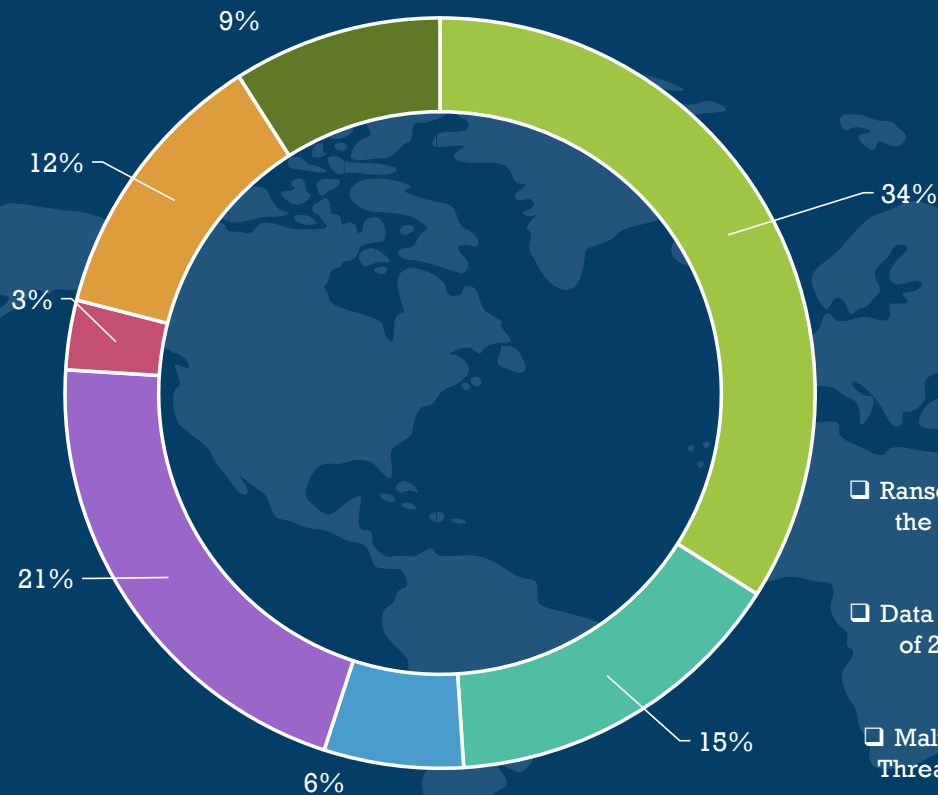


Guidelines to be revised by SC and BNM

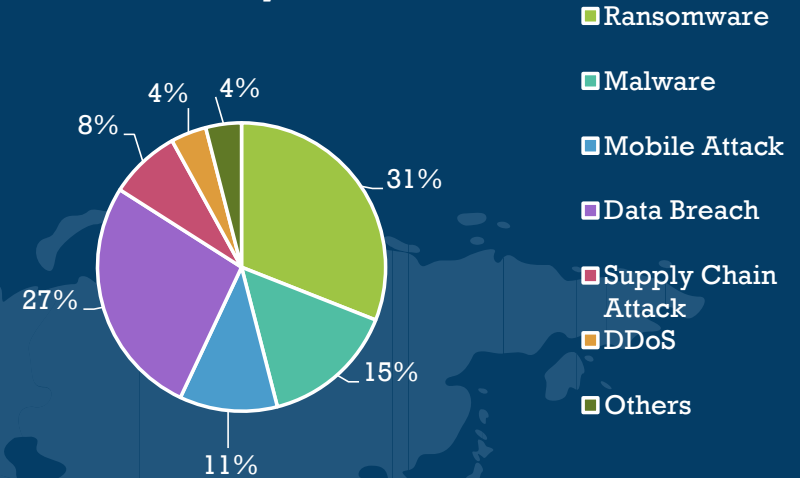
- Likely that SC and other regulators (e.g., BNM) will have to make changes to their existing regulatory framework to rationalize and align with the statutory changes.
- Likely result in an increase for cybersecurity professionals and investments in cybersecurity to comply with the requirements of emerging regulations.

CYBER THREAT TRENDS IN THE 1H OF 2023

Cyber Attacks - Globally



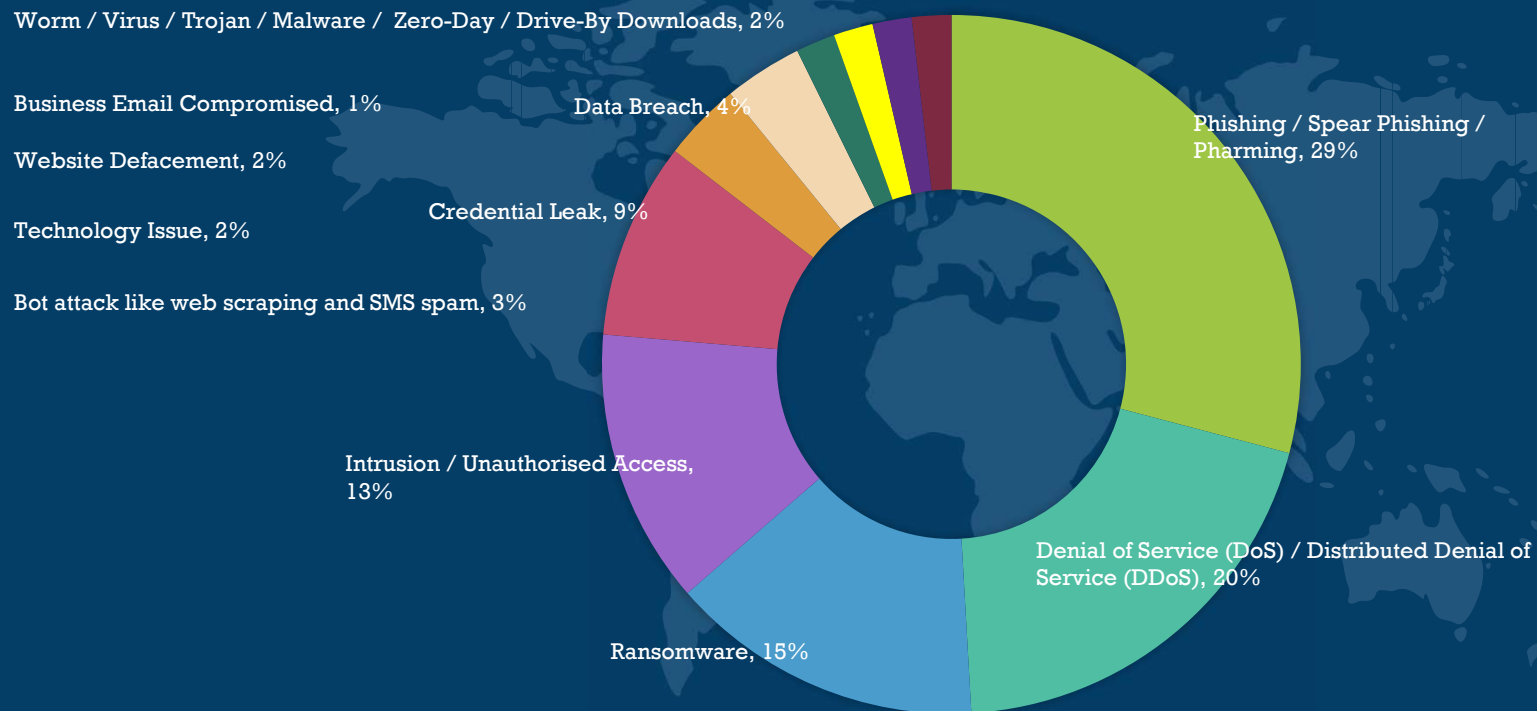
Malaysia



- ❑ Ransomware remains the top contributor for many years now globally. This year, the ransomware percentage rose by more than 37% compared to the previous year .
- ❑ Data breaches rank as the second most significant contributor, with a prevalence of 21% globally and 27% specifically in Malaysia. Notably, several prominent organizations encountered data leaks in the first half of 2023.
- ❑ Malware attacks ranked third due to its widespread and persistent nature. Our Threat Intelligence partner further discovered approximately 353,311 references on the dark web, involving the sale of malware log files or logs from entities affected by infostealer malware across various marketplaces.

THE CYBER THREAT LANDSCAPE

MALAYSIA CAPITAL MARKET INDUSTRY : OVERALL PERCENTAGE OF INCIDENTS (REPORTED JAN'19 - APR'23)



Key Takeaways



The SC has plans to conduct more assessments, audits and stakeholder engagement regarding cybersecurity protection of capital market intermediaries (i.e., heightened enforcement of regulations).



Compliance officers should engage with the technology team in their organisations to:

a)

prepare for compliance with the TRM guidelines; and

b)

conduct regular checks on 'cyber-hygiene' and cyber-drills to identify and resolve loopholes that can be exploited by cyber-criminals.



Session 3 – Sustainable Compliance in the Capital Market: Navigating ESG Factors

Key Panelists:

[Marina Yong](#), Governor, Malaysian Institute of Corporate Governance

[Koh Jia Fang](#), Climate Change & Sustainability Services, Ernst & Young Malaysia

Moderator:

[Wong Sue Wan](#), Partner, Wong & Partners

Issues in Sustainable Investment



Navigating the ESG Sphere

Defining 'Sustainable Investment'

- No universal standard or definition. There are regional taxonomies (e.g., European and ASEAN). For Malaysia, note that the SC also published a taxonomy for sustainability financing.
- Difficulty navigating the ESG sphere given their predominantly finance-rooted background; and diverse options of ESG ratings available and differing criteria considered by such rating agencies.
- But should not shy away from upskilling and overlay it with expert help (as needed).



Financial Considerations

Financial Returns and Inflows to Sustainability Financing

- Financial inflows to ESG funds have not been consistent.
- There is still a staggering gap between financial investments for ESG and non-ESG funds.
- The main bottleneck in the adoption of ESG funds as a prime choice of investment are the fund managers and capital market intermediaries, who are usually unwilling to accept fractionally lower returns given by ESG funds as compared to non-ESG funds.



Greenwashing

Greenwashing

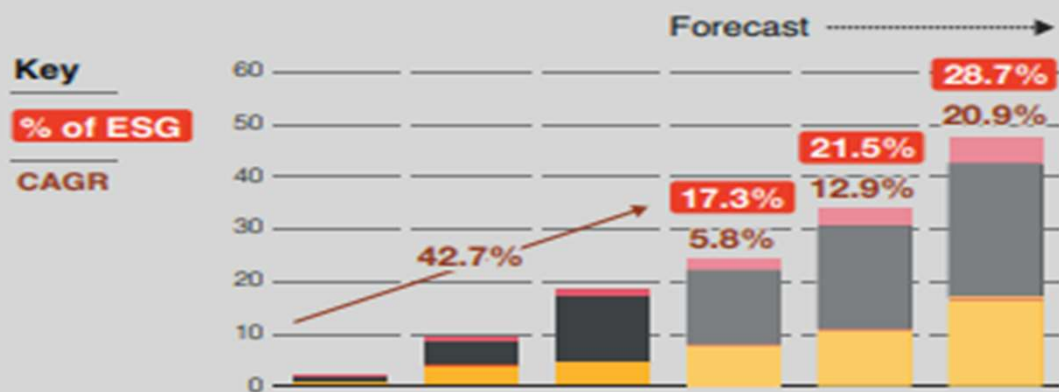
- It is difficult for fund managers to compose a portfolio of sustainable investments, especially identifying companies that are genuinely proactive in achieving their ESG goals, and those that are merely 'greenwashing'.
- Greenwashing may be the default position, e.g., when organizations are pressured to be 'green', they produce reports which are based on insufficient data. ESG reports require a base of data which is accumulated over the years to help set appropriate metrics and achievable ESG targets.
- Organizations operating in different industries also cause different environmental impact. Therefore, it is crucial for such organisations to tackle the major issues instead of engaging in fashionable practices. For example: for food and beverage companies, engaging in reducing paper usage does not help solve its immense water consumption.

Challenge 1 - Is The Sustainability Finance Imperative Progressing?

Asia Pacific is projected to have the fastest growth rate of any major region in ESG assets under management (AUM) by 2026, rising to USD3.3trn from USD1trn last year

Global ESG AuM by region (US\$tn)

	2015	2020	2021	2026 Low	2026 Base	2026 Best
Asia-Pacific	0.2	0.7	1.0	2.1	3.3	5.0
Europe	1.1	4.7	12.8	14.3	19.6	25.7
Latin America	0.0	0.0	0.0	0.1	0.2	0.3
Middle East & Africa	0.0	0.1	0.1	0.2	0.3	0.4
North America	0.8	3.8	4.5	7.7	10.5	16.3
Total	2.2	9.4	18.4	24.4	33.9	47.6



Disparity in ESG and non-ESG fund volume (as of 20 Nov 2023)

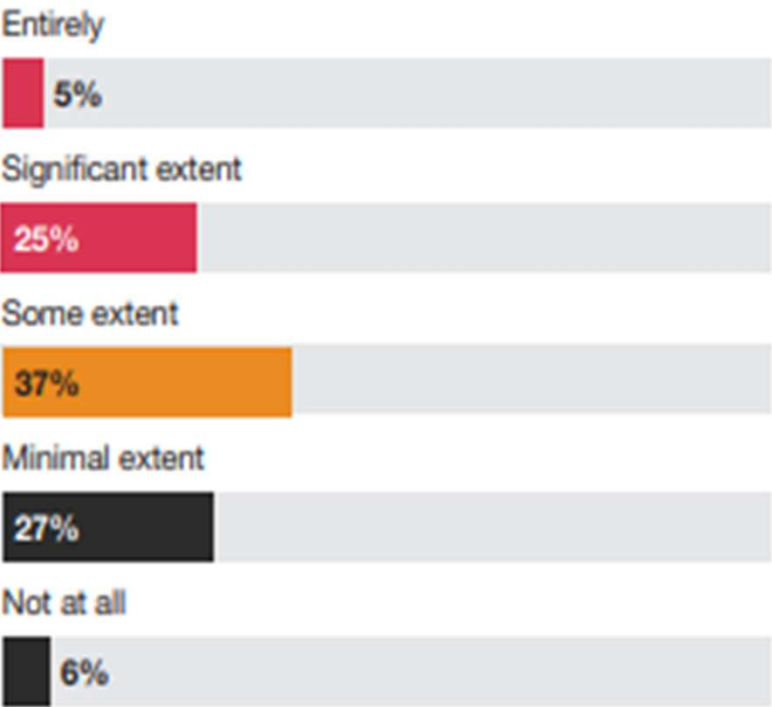
- ESG funds in South-east Asia - net inflows US\$368 million for Q3 2023....
- Non-ESG funds domiciled in the region recorded net inflows of US\$15 billion in Q3

<https://www.businesstimes.com.sg/esg/s-e-asia-esg-funds-record-net-inflows-q3-2023-reversing-two-quarters-outflows>

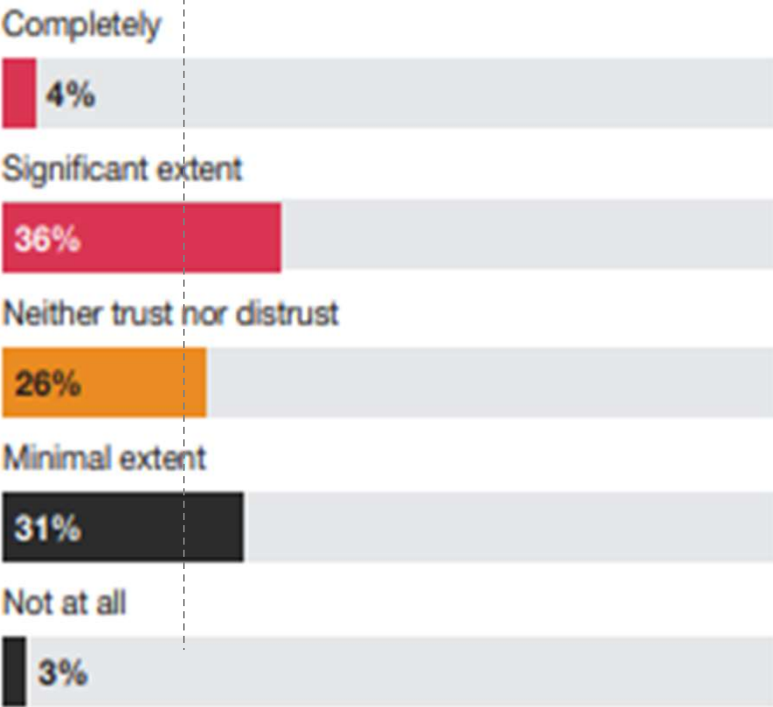
Source: Lipper, Preqin, ESG Global, PwC Global ESG and AWM Market Research Centre analysis

Challenge 2 – Do ESG ratings help?

To what extent does your investment analysis pertaining to ESG issues rely on external ESG ratings and scores?



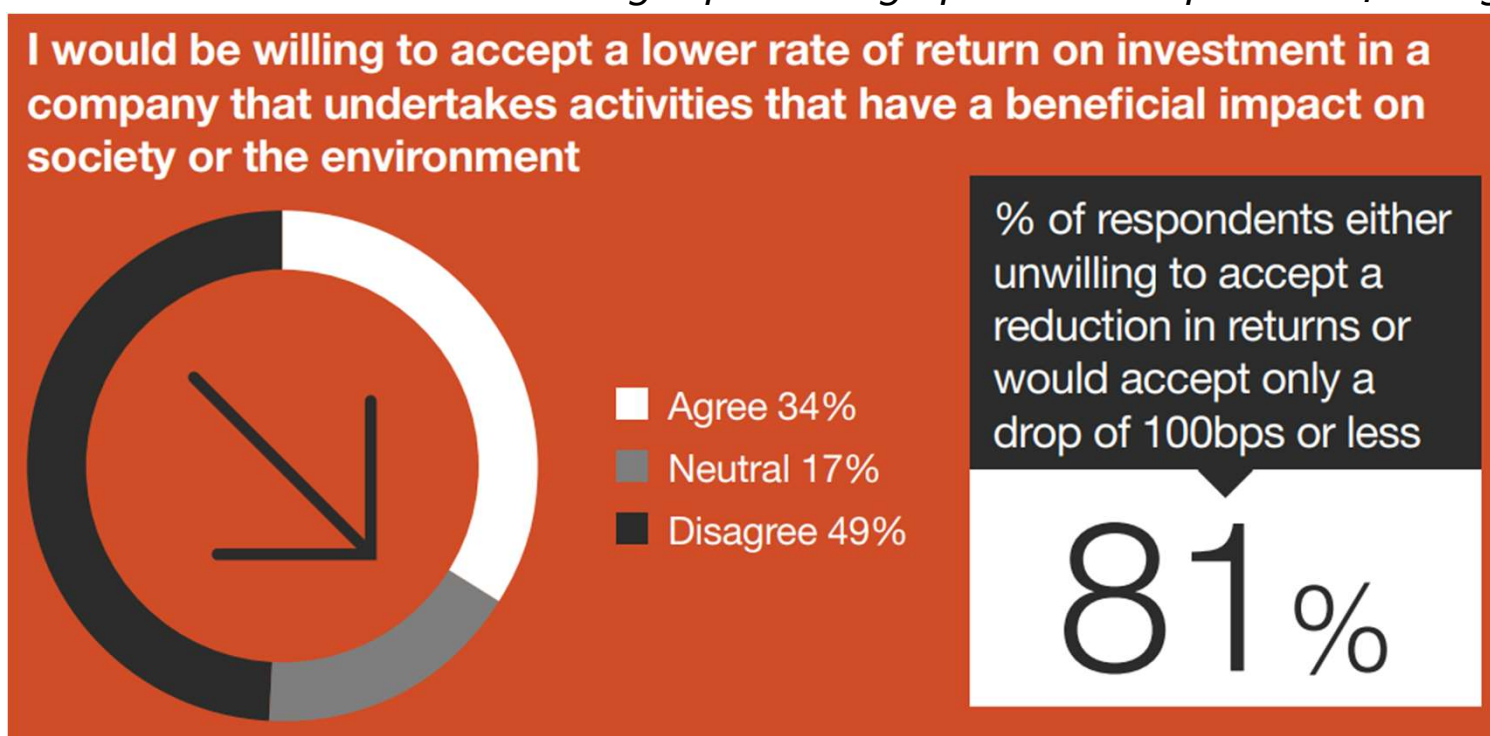
To what extent do you trust the ratings and scores provided by ESG ratings agencies?



Source: PwC’s Global Investor Survey December 2021

Challenge 3 - Preparedness to accept fractionally lower returns.

...some asset managers aren't prepared to compromise financial returns for EG credentials. Most expressed reluctance to take a haircut exceeding 1 percentage point in the pursuit of ESG goals.



Source: PwC's Global Investor Survey December 2021

Key Takeaways



Compliance officers should transform their conviction to ESG compliance into action through:

a)

upskilling and deep learning to gain a better understanding of sustainability;

b)

collaborating and pulling resources together to hire subject-matter experts to better navigate the ESG sphere; and

c)

challenging existing ESG targets to ascertain whether these targets address the chief environmental impact caused by their respective organizations.

Session 4 – Creating a Positive Corporate Culture

Key Panelist:

[Khairul Azwa Kamalul Bahrin](#), Head of Risk Management & Compliance, KWAP

Facilitators:

[Shahrin Shaikh Mohd](#), Chief Officer, Compliance, Risk and Legal Division, AHAM Asset Management Berhad

[Kelvin Koh Yong Boon](#), Head of Compliance, UBS Securities Malaysia

[Monica Chow Mei Foong](#), Head of Compliance, Macquarie Securities Malaysia

[Benothini Bascaran](#), Head of Risk, Compliance and Legal, Eastspring Investments

Moderator:

[Wong Sue Wan](#), Partner, Wong & Partners

Culture is a learned set of belief, and will be the strong guiding force in any decision





END