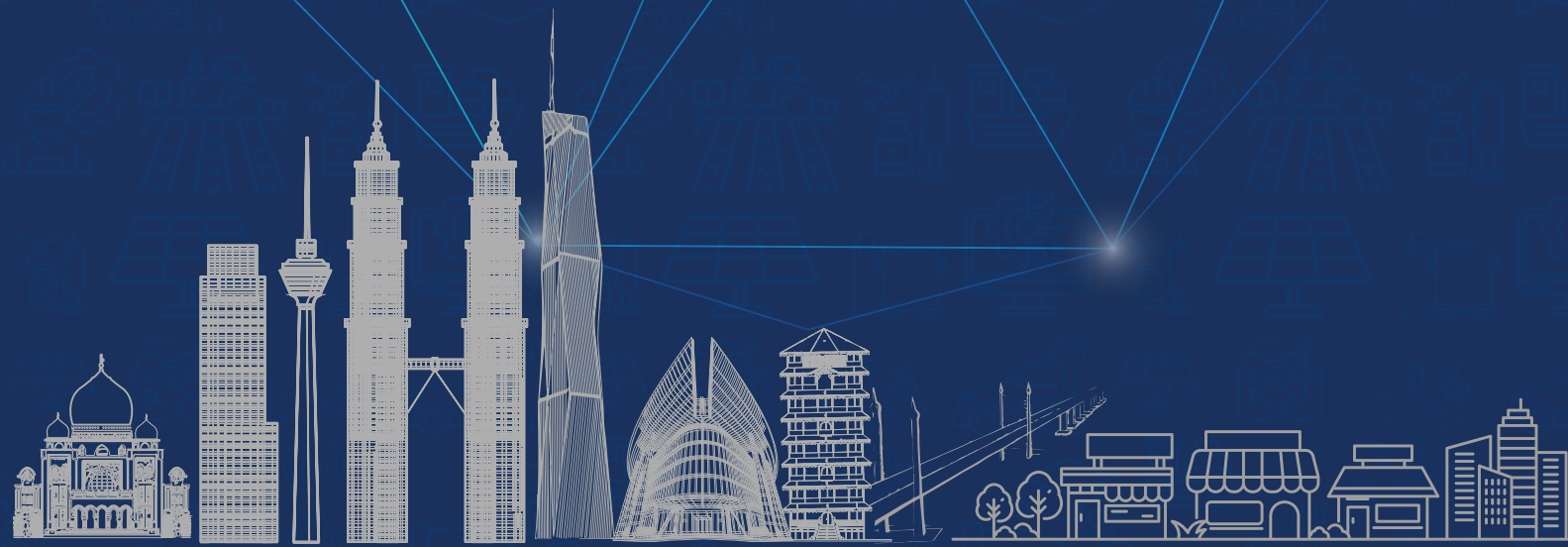




**Suruhanjaya Sekuriti**  
Securities Commission  
Malaysia

# CATALYSING MSME AND MTC ACCESS TO THE CAPITAL MARKET: **5-YEAR ROADMAP** (2024-2028)





# CATALYSING MSME AND MTC ACCESS TO THE CAPITAL MARKET: 5-YEAR ROADMAP (2024-2028)

SUPPORTED BY

MINISTRY OF FINANCE  
MINISTRY OF INVESTMENT, TRADE AND INDUSTRY  
MINISTRY OF ECONOMY  
MINISTRY OF ENTREPRENEUR AND COOPERATIVES DEVELOPMENT

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## FOREWORD BY MINISTER OF FINANCE II



“ It is time for the capital market and its participants to step up efforts to expand financing for tomorrow’s success stories – our MSME and MTC. I firmly believe that through well-planned implementation and with the unwavering support of all stakeholders, the objectives of this Roadmap are eminently attainable. ”

**M**y heartfelt congratulations to the Securities Commission Malaysia (SC) for taking the initiative to release a comprehensive *Catalysing MSME and MTC Access to the Capital Market: 5-Year Roadmap (2024-2028)*.

Its underlying aim is to increase the accessibility of market-based financing for the MSME and MTC segments. This is important as Malaysian MSME traditionally rely heavily on government assistance and bank financing for growth and working capital needs. Under Budget 2024, the Government has set aside up to RM44 billion, or 11% of the total budget allocation, to support our domestic MSME. This allocation includes grants, guarantee schemes, capacity-building programmes and other financing facilities.

For long-term growth and sustainability, MSME as well as MTC need to explore new opportunities and diversify their fundraising sources. In this regard, the capital market offers a plethora of products for different stages of business growth, from venture capital (VC) and private equity (PE) with complementary business and technical expertise, to listing on the ACE Market and the LEAP Market. These market-based solutions will ensure our small-to-medium sized firms receive the much-needed backing to succeed.

In executing the *MADANI* Economy framework, Malaysia's foremost priority remains the restructuring of the economy and strengthening inclusivity and prosperity for all. This requires an enabling environment that not only facilitates the upscaling of industries and sectors, but crucially, from a developmental perspective, seeks to cultivate a highly-skilled and competitive workforce for the benefit of all Malaysians. In fact, technology has a significant role to play and must be leveraged to effectively scale up and advance national imperatives. This holistic approach is also evident in the SC's Roadmap, which strives to strengthen support structures and market capabilities to ensure the durability and sustainability of measures to be undertaken.

From the Government's perspective, this Roadmap complements existing national policies and provides another impetus for the next stage in Malaysia's economic development. Nation building calls for greater public and private sector collaboration to create opportunities for the country's continued advancement. The capital market exemplifies this collaborative spirit by bringing together various stakeholders, investors and issuers in financing growth and ideas.

It is time for the capital market and its participants to step up efforts to expand financing for tomorrow's success stories – our MSME and MTC. I firmly believe that through well-planned implementation and with the unwavering support of all stakeholders, the objectives of this Roadmap are eminently attainable.

**Senator Datuk Seri Amir Hamzah Azizan**  
Minister of Finance II



FOREWORD BY MINISTER OF INVESTMENT, TRADE AND INDUSTRY



“ I am confident that this Roadmap will catalyse the transformation and growth of MSME and MTC, enabling them to undertake higher value-added activities and overcome prevalent challenges. ”

The Securities Commission Malaysia's (SC) *Catalysing MSME and MTC Access to the Capital Market: 5-Year Roadmap (2024-2028)* represents a pivotal step in 'breaking barriers' and democratising financing within our economic landscape. As the Minister of Investment, Trade and Industry, I am confident that this Roadmap will catalyse the transformation and growth of MSME and MTC, enabling them to undertake higher value-added activities and overcome prevalent challenges.

The Ministry of Investment, Trade and Industry (MITI) – particularly through the *New Industrial Master Plan 2030* (NIMP 2030) – has identified critical structural reforms to enhance Malaysia's economic complexity, as well as help our industries move up the value chain and transition to greener production processes. Existing barriers, if left unaddressed, will significantly impede these reform initiatives as well as affect the competitiveness and growth prospects of our country's industries, including the export-orientated manufacturing sector.

In elevating the capabilities of industry players and their supply chains, enhancing production capacities, as well as improving service levels across the board, adequate financing is critical. This is underscored in the NIMP 2030, which anticipates a total investment and financing of RM95 billion until 2030. By focusing on bridging the financing gap for MSME and MTC, the 5-Year Roadmap effectively supports the realisation of the NIMP's mission-based objectives.

We perceive the SC as a key partner towards ensuring resilient and sustainable industrial and export growth, from elevating the expertise, capacity and capabilities of industry players and their supply chains, to improving their service levels across the board and enhancing global footprints. It is imperative that these initiatives benefit every level of the value chain, from leading MTC exporters to the thousands of MSME integral to our overall supply networks.

This Roadmap also broadens capital market awareness and enhances access for a wider array of issuers, which also benefits our MSME and MTC. With the implementation of various initiatives outlined in the Roadmap, these businesses can leverage on numerous capital market products and market-based financing to expand their operations, boost competitiveness, accelerate digital transformation, and elevate productivity. All these will complement MITI's disciplined implementation of the NIMP 2030 missions, particularly the advancement of both MSME and MTC, for a more inclusive and sustainable economic growth.

MITI commends the SC's support in realising the NIMP's transformative impact. This is what the *MADANI* Government's whole-of-nation approach envisages to bring about Malaysia's second economic take-off and place our nation within the top 30 economies globally within 10 years.

**Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz**  
Minister of Investment, Trade and Industry

**FOREWORD BY MINISTER OF ENTREPRENEUR  
AND COOPERATIVES DEVELOPMENT**



“ Currently, knowledge of the capital market is low among our MSME. Therefore, I am delighted that the Roadmap will emphasise programmes to build MSME awareness, as well as increase MSME touchpoints to the capital market. ”

The transformation of Malaysia into a thriving entrepreneurial nation is closely aligned with the Malaysia *MADANI* Economy framework, in particular the principles of innovation, prosperity and sustainability. This calls for a conducive and holistic entrepreneurial ecosystem to support the growth of our entrepreneurs and micro, small and medium-sized enterprises (MSME).

Funding is one of the seven critical elements of this ecosystem. In fact, a key strategic thrust under the *National Entrepreneurship Policy (NEP) 2030* is to improve access to funding and financial inclusion for entrepreneurs and enterprises. Therefore, the Ministry of Entrepreneur and Cooperatives Development (MECD) deeply appreciates the efforts of the SC in developing the *Catalysing MSME and MTC Access to the Capital Market: 5-Year Roadmap (2024-2028)*.

This Roadmap will help shine a light on the various pathways to the capital market that are available. Currently, knowledge of the capital market is low among our MSME. Therefore, I am delighted that the Roadmap will emphasise programmes to build MSME awareness, as well as increase MSME touchpoints to the capital market. This will greatly assist our domestic entrepreneurs navigate the different capital market financing options.

In 2023, SME Corp – an agency under our Ministry – signed a Memorandum of Understanding (MOU) with the SC to collaborate and bring more MSME to the capital market. I view this as one of many steps towards better collaboration between public and private sector stakeholders with the aim of upscaling and strengthening the potential of Malaysia's entrepreneurs and MSME. We hope to work closely with the SC and capital market players to ensure the success of this Roadmap.

I wish to record my sincere appreciation to the SC for its forward thinking in developing this inclusive Roadmap. There is no doubt in my mind that this initiative will contribute to national efforts to boost our MSME contribution to 50% of GDP by 2030.

**Datuk Ewon Benedick**  
Minister of Entrepreneur and Cooperatives Development

## PREFACE BY CHAIRMAN, SECURITIES COMMISSION MALAYSIA



“ The SC is committed to listening to the industry and finding solutions in collaboration with key stakeholders. This Roadmap provides the required catalyst for the growth of our small and medium-sized entrepreneurs and MTC, much in the same way that market-based financing avenues have facilitated the development of our leading corporates. ”

One of the main challenges that small, medium and mid-tier companies face is a simple lack of access to financing. Because of this, what we categorise as micro, small and medium enterprises (MSME) and mid-tier companies (MTC) fall off along the way, not realising their full potential and becoming global, large-scale corporations and key components of our capital market, supporting and driving forward the economy.

Why is this so? The reasons range from a lack of awareness in the companies themselves as to how to get access to proper financing, as well as the high cost of any such financing they may obtain. After all, they are as of yet, untried entities and represent a larger risk to banks. While they are growing, they may face many challenges common to companies in those stages, such as liquidity crunches and an inability to provide the necessary, structured information to potential investors.

The Securities Commission Malaysia (SC) believes that the capital market can step in and offer better financing solutions for these companies, potentially up to about RM40 billion in total, complementing conventional financing solutions. It may seem like an obvious solution, and many have thought of it before, but it was not approached in a sufficiently structured and professional way that would make a real impact and provide results.

With this in mind, we have come up with the *Catalysing MSME and MTC Access to the Capital Market: 5-Year Roadmap (2024-2028)*. This Roadmap, the result of much engagement with key stakeholders, is a clear action plan that is both practical and comprehensive. It sets out the broad direction as well as the detailed actions to be taken over the short, medium and longer terms, to increase access for small and medium-sized issuers, as well as attract investors to these companies, as an asset class.

We have adopted five guiding principles to address existing issues in the present ecosystem as well as capitalise on emerging opportunities. This translates into nine strategies and 36 initiatives, which include enhancing their fundraising pathways and providing tailored and innovative products aimed at MSME and MTC.

But it does not stop there. We are also looking at boosting the capital market readiness of these companies, facilitating private market deals and educating and increasing the awareness of investors and intermediaries about these companies. In the process, these companies can grow bigger and become financially stronger to join the pipeline for listing in the public market.

The Roadmap aligns perfectly with one of the underlying objectives of the SC's *Capital Market Masterplan 3 (CMP3)*, which is to deepen market-based financing avenues for firms within this category. After all, MSME and MTC are our future. We need to nurture and support these promising and innovative companies, as they will drive the transformation and become the backbone of Malaysia's economy.

The SC is committed to listening to the industry and finding solutions in collaboration with key stakeholders. This Roadmap is the result of such engagements, not only with industry, but also with MSME and MTC touchpoints. And we are committed to working closely with all stakeholders, including related agencies, to ensure its success.

On this note, I would like to record my appreciation to supporting ministries and agencies as well as workshop participants, MSME, MTC, their associations, intermediaries and key collaborators. Their feedback and contributions have gone into the recommendations and initiatives mapped out here, in line with the whole-of-nation approach adopted to assist MSME and MTC in accessing financing.

Ultimately, it is our hope that the *Catalysing MSME and MTC Access to the Capital Market: 5-Year Roadmap (2024-2028)* provides the required catalyst for the growth of our small and medium-sized entrepreneurs and MTC, much in the same way that market-based financing avenues have facilitated the development of our leading corporates. We look forward to the next generation of innovative and impactful MSME and MTC and we hope to stir enough investor interest in this very important component of our economy.

**Dato' Seri Dr. Awang Adek Hussin**  
Chairman, Securities Commission Malaysia

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# EXECUTIVE SUMMARY





The vision of the *Catalysing MSME and MTC Access to the Capital Market: 5-Year Roadmap (2024-2028)* is to better position the capital market as an attractive and robust source of financing for MSME and MTC, and to build a solid foundation for scalable and sustainable MSME and MTC capital market solutions. It also seeks to position Malaysia as a preferred fundraising destination for MSME and MTC in the region.

In developing the Roadmap, an evidence-based approach was employed, comprising extensive engagements with key stakeholders, benchmarking, surveys and studies to assess the MSME and MTC capital market landscape, gaps and opportunities.


Five guiding principles were adopted in formulating the Roadmap's nine strategies and 36 initiatives that can be categorised into three approaches – regulatory and product innovation, market infrastructure and capacity building.


## OVERVIEW OF THE ROADMAP


### PURPOSE AND DEVELOPMENT OF THE ROADMAP

Catalysing MSME and MTC Access to the Capital Market: 5-Year Roadmap (2024 – 2028) is designed to boost MSME and MTC fundraising through the capital market. It is aligned to key national agenda.

#### PURPOSE OF THE ROADMAP

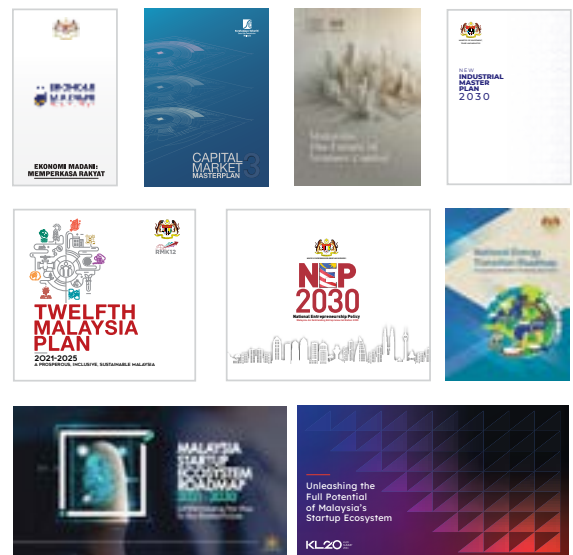
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Support MSME and MTC financing towards propelling economic growth and job creation
- 

Enhance the attractiveness of the capital market for MSME and MTC
- 

Build a more inclusive capital market

#### ALIGNED TO KEY NATIONAL AGENDA



## KEY OUTCOME

Increase in MSME and MTC capital market fundraising

**RM40 billion**  
(2028)

from

**RM6.3 billion**  
(2023)

## TRENDS IN THE MALAYSIAN MSME AND MTC CAPITAL MARKET LANDSCAPE

The Malaysian MSME and MTC capital market offers a range of fundraising options in meeting the financing needs of MSME and MTC across diverse growth stages.

### Total Fundraising (2017 – 2023)

LEAP Market and ACE Market	Venture Capital and Private Equity	ECF and P2P Financing Platforms
<b>RM12.8 billion</b>	<b>RM5.9 billion</b>	<b>RM6.6 billion</b>
<ul style="list-style-type: none"> <li>The ACE Market constitutes the largest source of fundraising in the MSME and MTC capital market</li> <li>The number of listings on the public market is driven by the LEAP Market and ACE Market</li> </ul>	<ul style="list-style-type: none"> <li>Government-backed funds are more predominant in the Malaysian VC space, with greater private sector involvement in PE</li> <li>Recent government initiatives have been geared towards crowding-in private investments to catalyse investments in the VC and PE segments</li> </ul>	<ul style="list-style-type: none"> <li>ECF and P2P financing have seen rapid growth in fundraising, broadening financing opportunities to MSME and MTC</li> <li>ECF and P2P financing platforms have seen active participation from retail investors</li> </ul>

## GAPS AND OPPORTUNITIES

Five key issues have been identified that will be addressed by the Roadmap to enhance MSME and MTC access to the capital market.

MSME and MTC	Investors	Market Infrastructure
<p><b>Relatively high cost of issuance and compliance requirements for MSME and MTC</b></p> <ul style="list-style-type: none"> <li>MSME and MTC often face high costs associated with fundraising, in particular, professional fees and compliance expenses.</li> </ul> <p><b>Need for targeted measures and facilitative requirements aimed at reducing costs and encouraging fundraising</b></p> <p><b>Lack of awareness and readiness to enter the capital market</b></p> <ul style="list-style-type: none"> <li>MSME and MTC awareness and utilisation of capital market financing options are relatively low.</li> <li>Current knowledge and capacity-building programmes need to include capital market elements catered toward the diverse needs of MSME and MTC.</li> </ul> <p><b>MSME and MTC development agencies are critical change agents in enhancing awareness and ensuring effective funnelling to the capital market</b></p>	<p><b>Liquidity and exit concerns for MSME investments</b></p> <ul style="list-style-type: none"> <li>Limited access and investment restrictions have contributed to liquidity and exit concerns.</li> <li>Product innovation and regulatory facilitation are needed to tap further into the retail investor base as a source of capital for MSME and MTC.</li> </ul> <p><b>Product innovation and regulatory facilitation to create new products and exit strategies are crucial in catering to the different needs and risk profiles of investors</b></p> <p><b>Limited data or expertise to adequately assess MSME and MTC investments</b></p> <ul style="list-style-type: none"> <li>Investors face challenges in assessing the risks associated with MSME because of the lack of credible and transparent information.</li> <li>Limited specialised resources and skills to evaluate MSME and MTC investments reinforce reliance on traditional assessment methods and valuation models.</li> </ul> <p><b>Enhancing valuation through credible information and upskilling, followed by implementing complementary measures and public-private partnerships to mitigate investment risks</b></p>	<p><b>Information asymmetry and gaps in supporting infrastructure for MSME and MTC investments</b></p> <ul style="list-style-type: none"> <li>Capital market information for MSME and MTC is fragmented across multiple channels due to multiple stakeholders within the ecosystem.</li> <li>The lack of supporting infrastructure for MSME and MTC investments has resulted in difficulty in facilitating or promoting private market deals and trade sales.</li> </ul> <p><b>Ensuring that the overall market infrastructure supports the flow of information and resources, as well as facilitates transactions, by leveraging technology</b></p> <p><b>Opportunities</b></p>

## ROADMAP GUIDING PRINCIPLES AND STRATEGIES

To boost MSME and MTC access to the capital market, the guiding principles of the Roadmap will form the foundation and building blocks for the Roadmap strategies and its underlying initiatives.

### 5 Guiding Principles

Reduce cost of issuance and promote facilitative fundraising requirements

Promote awareness and capacity building

Widen investor base and access to MSME and MTC

Innovate and adapt instruments for inclusive access

Leverage technology for information provision and greater interconnectivity

### 9 Strategies

#### 1. Enhance MSME and MTC pathways to fundraising

Provide multiple pathways and facilitative requirements for fundraising in the capital market

#### 2. Revitalise the LEAP Market as an SME feeder market

Crowd-in investments and introduce flexibility to enhance attractiveness of the LEAP Market

#### 3. Innovate and customise products for MSME and MTC

Innovate capital market instruments/vehicles to facilitate MSME and MTC fundraising and investor access

#### 4. Facilitate private market deals

Increase capital market access for MSME and MTC through development of innovative supporting infrastructure

#### 5. Forge public-private partnerships for MSME and MTC investments

De-risk MSME and MTC investments through mechanisms to reduce risks for investors such as through guarantees and involvement of public institutions

#### 6. Improve digitalisation and connectivity of MSME and MTC information and data

Bridge knowledge gaps in the MSME and MTC financing ecosystem by enhancing data and information sharing infrastructure

#### 7. Boost MSME and MTC readiness

Develop necessary skills and tools to prepare and assess MSME and MTC readiness to access the capital market

#### 8. Enhance capital market referrals

Increase awareness and capital market referrals through MSME and MTC touchpoints

#### 9. Strengthen awareness and talent among investors and intermediaries

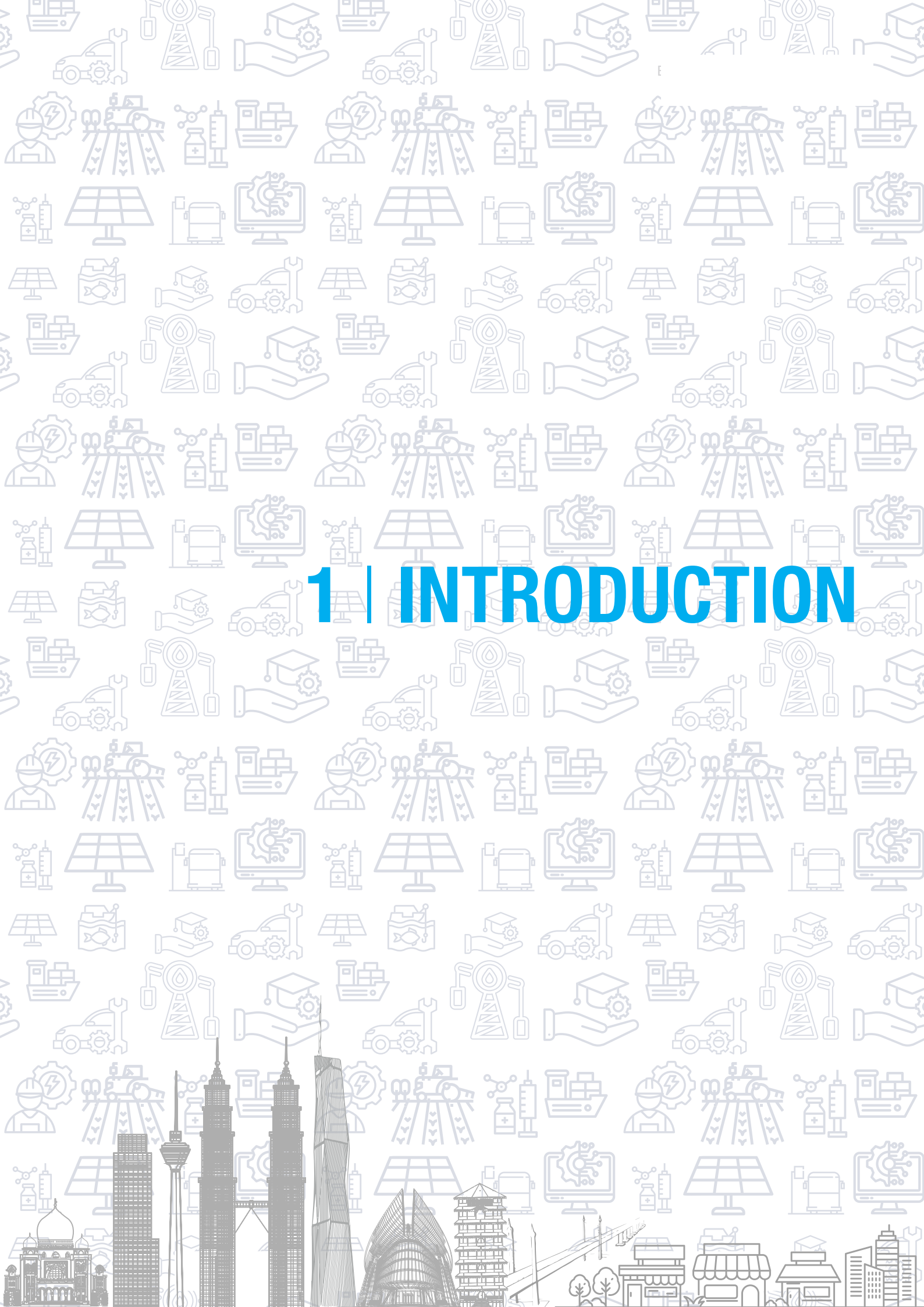
Educate capital market talent with the necessary skills to assess MSME and MTC investments to boost investment activities

## Catalysing MSME and MTC Access to the Capital Market: 5-Year Roadmap (2024-2028)

### 9 Strategies and 36 Initiatives through 3 Approaches

<p><b>1. Enhance MSME and MTC pathways to fundraising</b></p> <ul style="list-style-type: none"> <li>a. Introduce fundraising incubation for MSME and MTC</li> <li>b. Create pathway from ECF to the public market</li> <li>c. Facilitate listing for MSME and MTC in national priority sectors</li> <li>d. Encourage the use of growth metrics for LEAP Market and transfers to ACE Market</li> <li>e. Facilitate listing by introduction</li> <li>f. Mobilise MSME listing grant</li> <li>g. Facilitate speedier IPO approvals</li> </ul>	<p><b>2. Revitalise the LEAP Market as an SME feeder market</b></p> <ul style="list-style-type: none"> <li>a. Broaden eligible investor class for LEAP Market</li> <li>b. Widen the pool of listing advisers</li> <li>c. Expand methods of remuneration for advisers</li> <li>d. Establish SME-focused fund</li> </ul>	<p><b>3. Innovate and customise products for MSME and MTC</b></p> <ul style="list-style-type: none"> <li>a. Enable MSME- and MTC-focused listed investment vehicles</li> <li>b. Facilitate issuance of bonds/sukuk by MSME and MTC</li> <li>c. Spur indirect financing for MSME and MTC</li> <li>d. Facilitate flexible fundraising instruments for MSME and MTC</li> </ul>	<ul style="list-style-type: none"> <li>e. Encourage experimentation to enable tokenisation and innovative capital market solutions</li> <li>f. Develop <i>waqf</i> assets through ECF and P2P financing platforms</li> <li>g. Promote Shariah-compliant ECF and P2P financing platforms</li> </ul>	<p><b>4. Facilitate private market deals</b></p> <ul style="list-style-type: none"> <li>a. Introduce trade sale board</li> <li>b. Develop factoring information platform for MSME and MTC</li> </ul>
<p><b>5. Forge public-private partnerships for MSME and MTC investments</b></p> <ul style="list-style-type: none"> <li>a. Provide guarantee for capital market instruments</li> <li>b. Establish MSME and MTC co-investment schemes in strategic sectors and activities</li> <li>c. Explore blended finance for MSME and MTC with international and local partners</li> </ul>	<p><b>6. Improve digitalisation and connectivity of MSME and MTC information and data</b></p> <ul style="list-style-type: none"> <li>a. Introduce digitalised MSME and MTC capital market knowledge and information</li> <li>b. Spearhead MSME and MTC data and information sharing among public institutions</li> </ul>	<p><b>7. Boost MSME and MTC readiness</b></p> <ul style="list-style-type: none"> <li>a. Introduce MSME and MTC fundraising readiness assessment</li> <li>b. Establish MSME and MTC simplified pitching guide to investors</li> <li>c. Broaden accelerator and matching network</li> <li>d. Support effective ESG disclosures by MSME</li> <li>e. Promote corporate governance best practices in MSME</li> </ul>	<p><b>8. Enhance capital market referrals</b></p> <ul style="list-style-type: none"> <li>a. Introduce diagnostic tool and referral platform for MSME and MTC capital market solutions</li> <li>b. Empower MSME and MTC touchpoints as capital market advocates</li> <li>c. Leverage awareness programmes by MSME and MTC agencies and associations</li> <li>d. Create funnelling channels for MSME and MTC into capital market initiatives</li> </ul>	<p><b>9. Strengthen awareness and talent among investors and intermediaries</b></p> <ul style="list-style-type: none"> <li>a. Promote corporate venturing activities through capacity-building and awareness programmes</li> <li>b. Grow specialised capital market talent for the MSME and MTC segment</li> </ul>

Regulatory and product innovation (11) Market infrastructure (14) Capacity building (11)



# 1 | INTRODUCTION



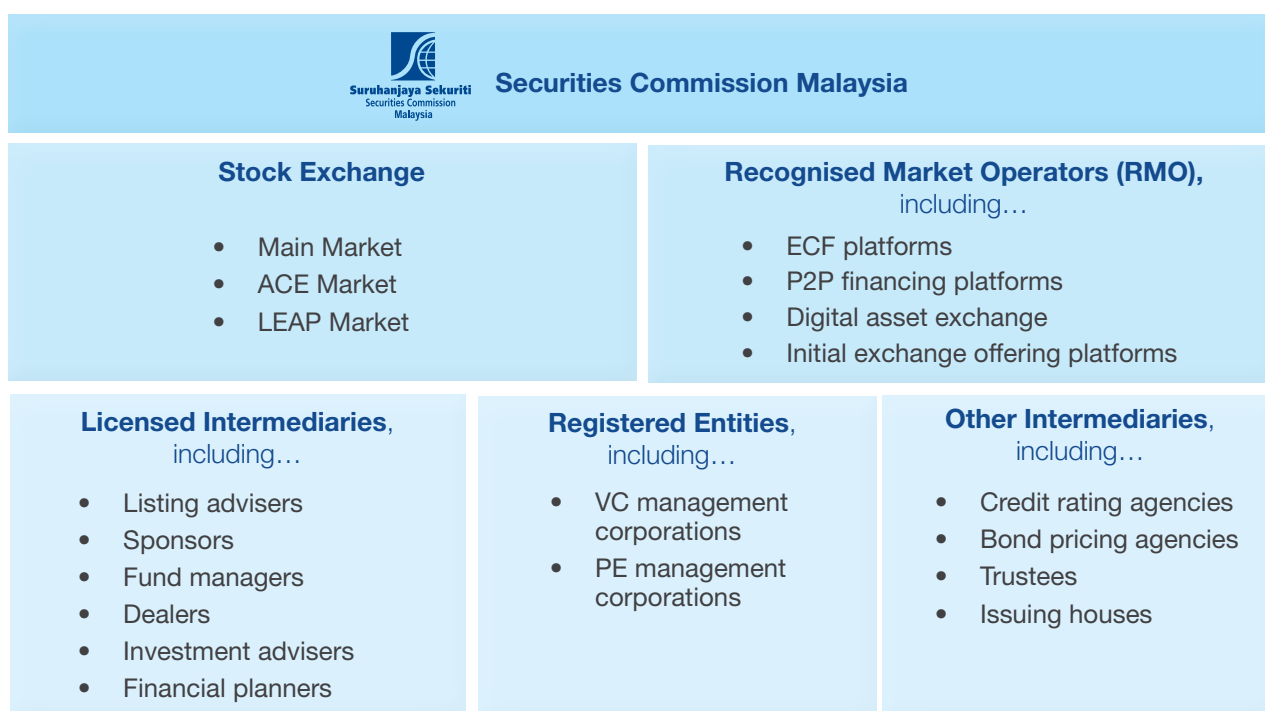
## 1.1 PURPOSE OF CATALYSING MSME AND MTC ACCESS TO THE CAPITAL MARKET: 5-YEAR ROADMAP (2024-2028)

The purpose of the *Catalysing MSME and MTC Access to the Capital Market: 5-Year Roadmap (2024-2028)* (Roadmap) is to provide a 5-year action plan with cross-cutting strategies in transforming the capital market to enhance access for micro, small and medium enterprises (MSME) (including startups) and mid-tier companies (MTC). The Securities Commission Malaysia (SC) is committed to facilitating the orderly development of an innovative and competitive capital market, as well as ensuring that it is relevant, efficient and diversified in line with the *Capital Market Masterplan 3 (CMP3)*. This includes broadening the capability and capacity of the capital market as well as directing capital towards productive economic activities to ease access to financing for businesses, including MSME as well as MTC.

MSME contributed more than a third (38.4% or RM580.4 billion) to Malaysia’s gross domestic product (GDP) and employed almost half (48.2%) of the workforce in 2022, with MSME GDP growth (11.6%) surpassing overall domestic GDP growth,<sup>1</sup> highlighting their importance in driving the nation’s economy. Malaysia’s business landscape also consists of approximately 8,500 MTC, which contribute around 36% to Malaysia’s GDP and employ over 16% of the workforce.<sup>2</sup>

The capital market has been a growing source of financing for MSME and MTC, with RM25.3 billion in funds raised from 2017 to 2023 through the MSME and MTC capital market, comprising venture capital (VC), private equity (PE), equity crowdfunding (ECF), peer-to-peer financing (P2P financing), the LEAP Market and the ACE Market.

**Figure 1-1**  
Malaysian capital market landscape



The Roadmap will strengthen the capital market’s role in boosting MSME and MTC access to financing to ensure their resilience and growth, given their importance to economic growth. It targets to better serve the growing demand for financing among MSME and MTC.

<sup>1</sup> Micro, Small and Medium Enterprises (MSMEs) Performance 2022, Department of Statistics Malaysia (DOSM).  
<sup>2</sup> Figures provided by Malaysia External Trade Development Corporation (MATRADE).

In the development of the Roadmap, the SC undertook a study consisting of benchmarking, estimation of financing gap and market engagements including one-on-one interviews, a series of workshops and deployment of questionnaires (Study). Various stakeholders have been engaged, including MSME and MTC, chambers and associations, investors and capital market intermediaries, government agencies and market infrastructure players.

A whole-of-nation approach underpins the Roadmap, promoting greater collaborative efforts and co-ordination among government agencies, ministries, as well as the private sector, to ensure the successful implementation of the strategies and initiatives under the Roadmap.

As custodian of the Roadmap, the SC will undertake the appropriate roles such as driving, implementing or facilitating the initiatives identified, as well as current and future collaborations to achieve the key outcome and strengthen the impact of the Roadmap.

## 1.2 SCOPE OF THE ROADMAP: MSME (INCLUDING STARTUPS) AND MTC

MSME and MTC contribute significantly to economic development across various sectors and can serve as catalysts for greater innovation and economic complexity. As such, the Roadmap focuses on MSME (including startups) and MTC as the key groups that can benefit from capital market financing.

Figure 1-2 outlines the definition for the micro, small, medium and mid-tier categories for the respective sectors as defined by SME Corporation Malaysia (SME Corp) and Malaysia External Trade Development Corporation (MATRADE).

**Figure 1-2**  
Definition of MSME (including startups) and MTC

MANUFACTURING		SERVICES AND OTHERS
Annual sales turnover RM50 million to RM500 million	<b>MTC</b>	Annual sales turnover RM20 million to RM500 million
Annual sales turnover RM15 million to ≤ RM50 million OR Number of employees 75 to ≤ 200	<b>MEDIUM</b>	Annual sales turnover RM3 million to ≤ RM20 million OR Number of employees 30 to ≤ 75
Annual sales turnover RM300,000 to < RM15 million OR Number of employees 5 to < 75	<b>SMALL</b>	Annual sales turnover RM300,000 to < RM3 million OR Number of employees 5 to < 30
Annual sales turnover < RM300,000 OR Number of employees < 5	<b>MICRO</b>	Annual sales turnover < RM300,000 OR Number of employees < 5

**Startups:** Technology- or innovation-enabled early-stage businesses with a scalable business model and a high-growth strategy.

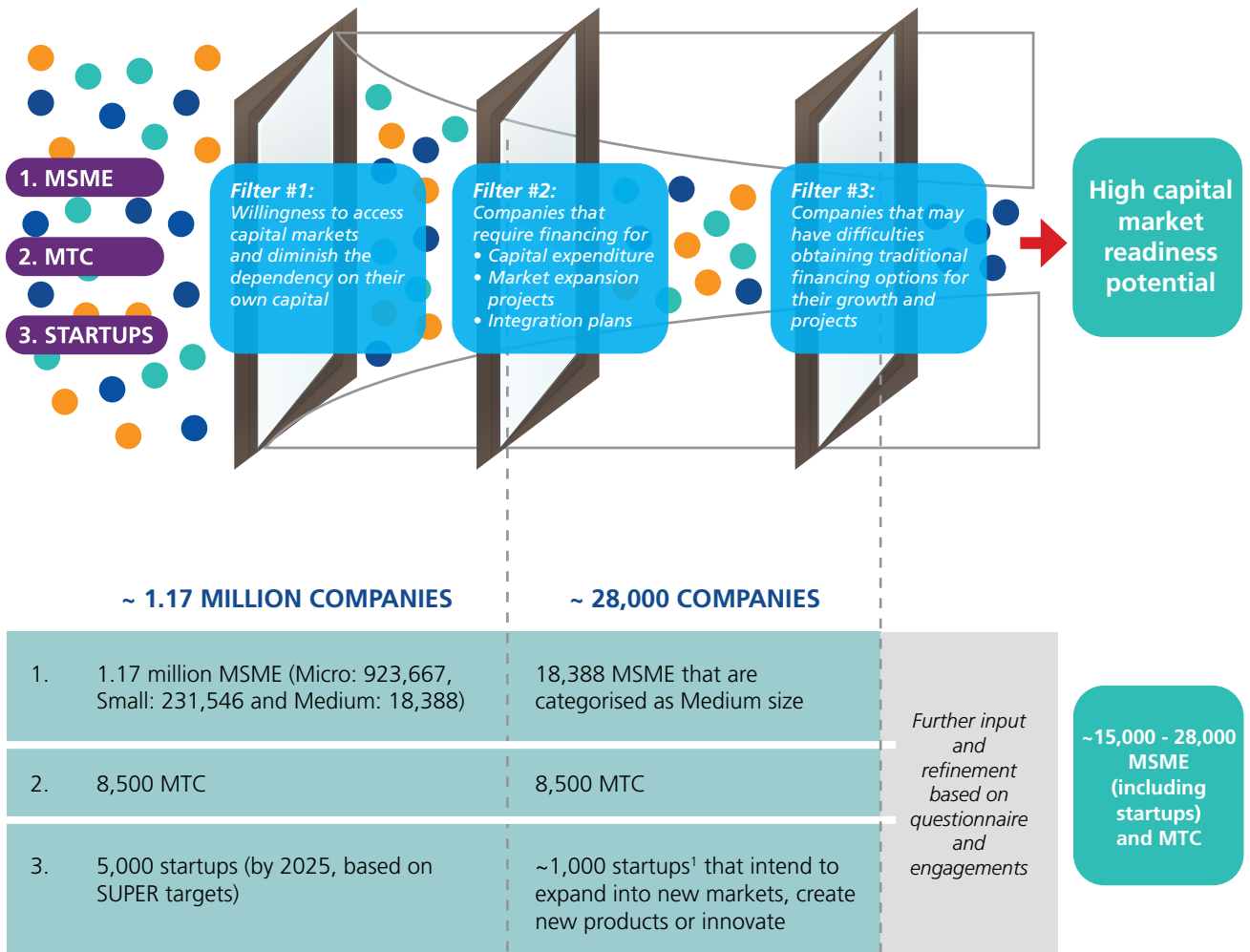
Source: Adapted from Institute for Capital Market Research Malaysia (ICMR), and based on definitions by SME Corp, MATRADE and Ministry of Science, Technology and Innovation (MOSTI).



Recognising the different needs and levels of readiness for these key groups, Figure 1-3 provides a conceptual framework of the potential addressable universe of MSME and MTC. This framework identifies the intended target group for the Roadmap initiatives.

It is estimated that there are approximately 15,000 to 28,000 MSME and MTC which have the potential to raise financing through the capital market. Notwithstanding this target group, the solutions and initiatives under the Roadmap are meant to be inclusive and benefit a broad range of MSME and MTC.

**Figure 1-3**  
Target group of the Roadmap



Note:

<sup>1</sup> Assumption of 20% success rate applied based on developing country benchmarks.

### 1.3 VISION AND KEY OUTCOME

The vision of the Roadmap is to **better position the capital market as an attractive and robust source of financing for MSME and MTC** and **build a solid foundation for scalable and sustainable MSME and MTC capital market solutions**. Greater inclusion of MSME and MTC in the capital market will signal a deep and well-diversified capital market, which in turn can attract a higher supply of capital including foreign capital, **positioning Malaysia as a preferred fundraising destination for MSME and MTC in the region**.

The key outcome of the Roadmap is to increase fundraising in the MSME and MTC capital market to RM40 billion in 2028. The amount raised through the MSME and MTC capital market in 2023 is RM6.3 billion which represents 2% of the estimated supply of MSME financing.

**Figure 1-4**

Key outcome of the Roadmap

Increase in MSME  
and MTC capital  
market fundraising



## 1.4 SUPPORTING THE NATIONAL AGENDA

The Roadmap will support the national agenda, with the key focus to address MSME and MTC financing needs under relevant development policies and strategies, to enable greater prosperity, inclusivity and sustainability of the economy.

By focusing on regulatory and product innovations, targeted capacity building to improve readiness and awareness, as well as the provision of efficient market infrastructure, this will support effective funnelling of MSME and MTC into the capital market, as well as stronger linkages to investors.

**Figure 1-5**  
Key national agenda



### **Ekonomi MADANI Memperkasa Rakyat**

Restructuring the economy to make Malaysia a leader among Asian economies and to ensure that the enlarged wealth benefit the *Rakyat* equitably.

#### **RELEVANCE TO MSME AND MTC FINANCING**

Looks to the rejuvenation of the capital market to strengthen firms of all sizes and maturity, especially through increased internationalisation and digitalisation.



### **Twelfth Malaysia Plan (12MP) 2021-2025**

Achieving a prosperous, inclusive and sustainable Malaysia by resetting the economy, strengthening security, well-being and inclusivity as well as advancing sustainability.

#### **RELEVANCE TO MSME AND MTC FINANCING**

Improve access of financing and capacity development programmes for MSME, which includes promoting alternative financing for MSME and streamlining information on capacity development programmes.



### **Capital Market Masterplan 3 2021-2025**

Towards a capital market that is more relevant, efficient and diversified.

#### **RELEVANCE TO MSME AND MTC FINANCING**

Address the MSME financing gap through capital market instruments with emphasis on the need for inclusive growth, with economic gains shared more broadly across all Malaysians.



### New Industrial Master Plan (NIMP) 2030

Delivering accelerated and holistic broad-based growth to achieve Malaysia's vision in developing competitive industry, a high income and skilled workforce, inclusive participation and sustainable development.

#### RELEVANCE TO MSME AND MTC FINANCING

Strategically advances MSME funding in Malaysia through initiatives such as the NIMP 2030 Strategic Co-Investment Fund (CoSIF) and digital platforms like imSME.

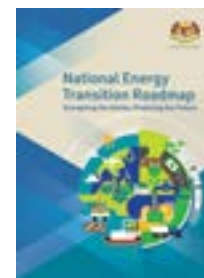


### National Entrepreneurship Policy (NEP) 2030

For Malaysia to be a united, prosperous and dignified nation, and thus becoming an economic axis in Asia.

#### RELEVANCE TO MSME AND MTC FINANCING

Create a conducive entrepreneurship ecosystem for sustainable, balanced and inclusive socio-economic development in Malaysia through the implementation of initiatives for a more holistic entrepreneurial ecosystem.



### National Energy Transition Roadmap (NETR)

An equitable energy transition that is fair and inclusive, and reinforces Malaysia's commitment to net-zero emissions as early as 2050.

#### RELEVANCE TO MSME AND MTC FINANCING

Looks to increase SME involvement in the ecosystem while ensuring financial sustainability by expediting the influx of capital investments and leveraging diverse capital pools.



### Malaysia Startup Ecosystem Roadmap (SUPER) 2021-2030

Malaysia in Top 20 Global Startup Ecosystem by 2030.

#### RELEVANCE TO MSME AND MTC FINANCING

Comprehensively addresses MSME funding through a multifaceted approach including direct and indirect funding methods, leveraging private sector expertise and optimising investment incentives across different stages of the startup lifecycle.



### Malaysia Venture Capital Roadmap (MVCR)

Malaysia: A Preferred Regional Venture Capital Hub by 2030.

#### RELEVANCE TO MSME AND MTC FINANCING

Addressing the financing ecosystem through alignment of public and private funding initiatives, with appropriate de-risking across the stages of investments, in order to establish a cohesive financing environment for startups.




### KL20 Action Paper

Unleashing the Full Potential of Malaysia's Startup Ecosystem.

#### RELEVANCE TO MSME AND MTC FINANCING

Aims to tackle key challenges impacting local startups – including funding access, regulatory barriers and a lack of talent – to enhance Malaysia's startup ecosystem and drive structural transformation of the Malaysian economy.

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# 2 | MSME AND MTC CAPITAL MARKET LANDSCAPE

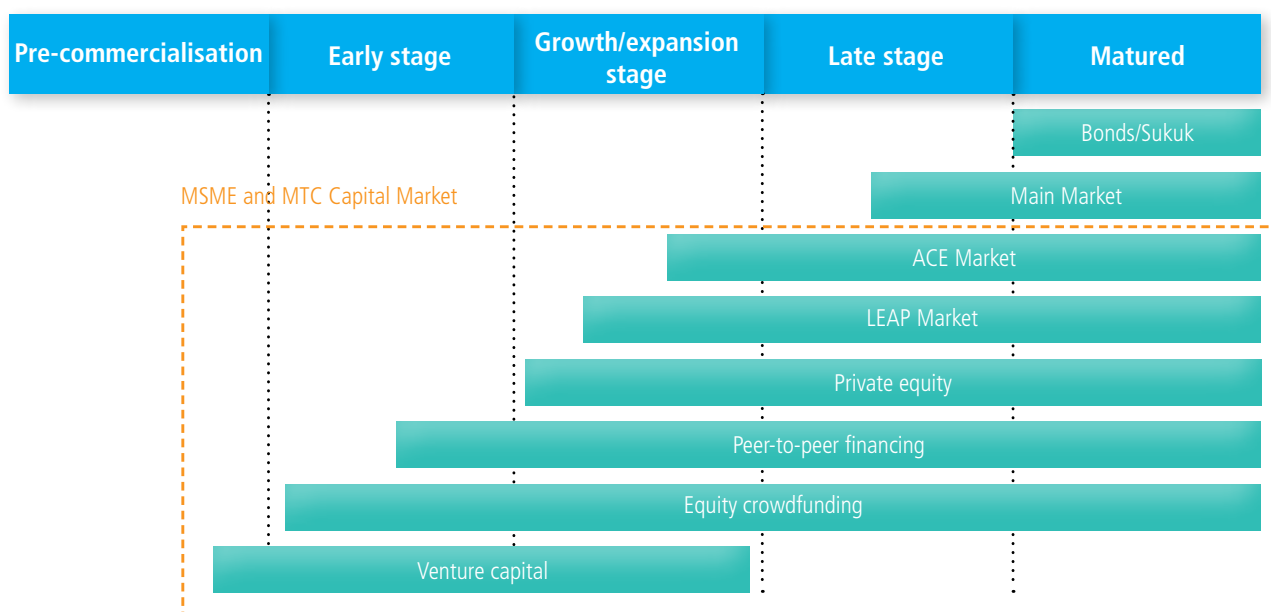


## 2.1 TRENDS AND DEVELOPMENTS IN THE CAPITAL MARKET FOR MALAYSIA'S MSME AND MTC

**The Malaysian capital market offers a diverse range of fundraising options for MSME and MTC.** The rapid expansion of ECF and P2P financing has broadened financing opportunities for businesses, especially smaller companies to access both debt and equity financing. VC and PE firms actively seek out innovative companies to invest in, providing the necessary injection of capital and expertise. Additionally, MSME and MTC have the option to raise capital through the LEAP Market and ACE Market, as well as the Main Market for larger companies.

While MSME and MTC still rely heavily on banks to fulfil their general financing needs, the capital market can complement the supply of financing especially for higher-risk businesses or financing activities which do not suit the lending appetite of banks. For example, early-stage businesses often lack collateral, track record and financial expertise, and as a result, such businesses may face difficulties when seeking bank financing.

**Figure 2-1**  
Funding options available for companies across growth cycles



**In addition, MSME and MTC can also utilise Shariah-compliant and SRI solutions.** With Malaysia's global leadership in the Islamic capital market (ICM), a wide range of Shariah-compliant solutions are offered alongside conventional structures. ICM products and services have the added aim of achieving socially-beneficial and stakeholder-focused outcomes, which align closely with the trend towards integrating environmental, social and governance (ESG)-related considerations into investment decisions. This trend has encouraged the growth of impact investing globally. Closer to home, the sustainable and responsible investment (SRI) segment provides another avenue for MSME and MTC to raise funds.

## Box Article 1

## CAPITAL MARKETS FOR SMEs: THE COMPLEMENTARITY OF EQUITY AND DEBT FINANCING<sup>3</sup>

By World Bank



**Globally, banks remain the main source of external debt financing for small and medium-sized enterprises, but capital market solutions allow SMEs to tap into a different set of financiers.**

In most countries around the world, bank loans account for the bulk of the debt financing for small and medium-sized enterprises (SMEs). But access to capital markets not only brings diversification of funding sources to SMEs, it may also provide additional benefits. For example, minibond issuers in Italy have been able to obtain lower interest rates on their subsequent bank loans. Around the world, bonds have mostly been issued by medium-sized companies (often due to a *de facto* minimum issuance size), whereas debt funds have supported a wider range of SMEs, as these funds can invest in a range of assets (from receivables to SME loans and minibonds). Some of these debt funds buy the assets from SME lenders, others originate the assets themselves.



**Capital markets can also provide SME lenders with indirect mechanisms to support SME financing.**

Specifically, capital market solutions have been used in some middle- and high-income countries by SME lenders to improve their funding structure, allowing them to compete more effectively in credit markets. This in turn can result in an expansion of financing to SMEs, improvements in lending conditions or both. In many countries, banks (and other SME lenders, to a lesser degree) use capital markets to raise long-term funding through relatively simple instruments, such as plain vanilla bonds. In more sophisticated capital markets, both banks and other SME lenders have also resorted to instruments more directly tied to their SME portfolios, such as the securitisations of their SME loans.



**While debt is a crucial source of financing for SMEs, equity financing can be powerful in promoting innovation.**

Equity and debt financing play important but distinct roles in supporting firms' productivity and growth. Innovative activities are inherently risky and generally entail investments in intangible assets, such as research and development (R&D), that provide limited collateral value. Consequently, these investments can be hard to finance with debt. While equity can fund any type of investment, it often disproportionately benefits firms with investments in such innovative activities. Indeed, World Bank (forthcoming) shows that countries with more knowledge- and technology-related outputs and thus arguably a larger share of firms engaging in innovative activities, would benefit the most from increased access to equity financing.<sup>4</sup> Yet, VC financing is often skewed toward a narrow set of high-tech sectors and larger firms, suggesting that equity financing might play a limited role in advancing technological change in emerging markets and developing economies (EMDEs). Hence, an underdevelopment of equity markets can hinder the undertaking of innovative activities, impacting aggregate productivity and growth.

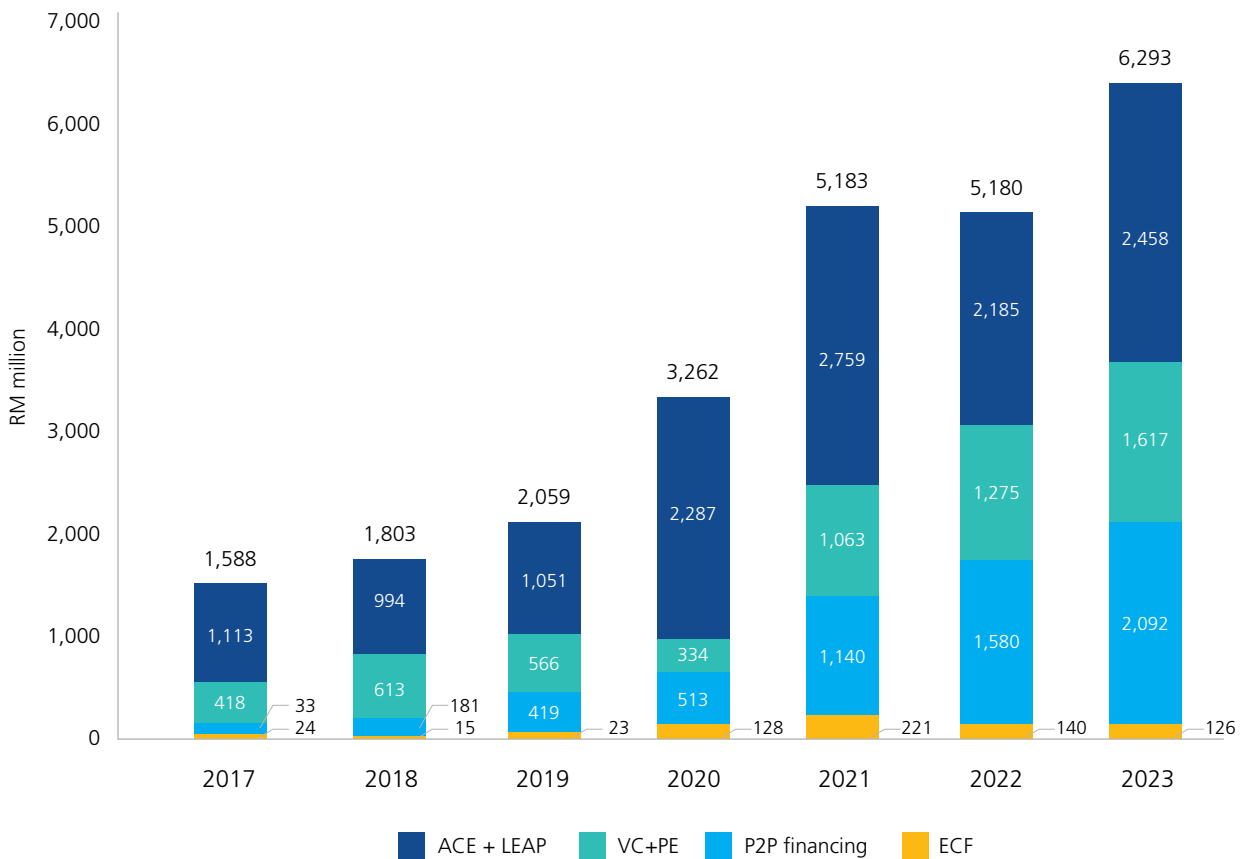
<sup>3</sup> *Boosting SME Finance for Growth: The Case for More Effective Policies*, World Bank (forthcoming).

<sup>4</sup> *Unleashing Productivity Through Firm Financing*, World Bank (forthcoming).



**MSME and MTC capital market has shown growth in fundraising amounts, highlighting the increasing role of the capital market in serving the financing needs of MSME and MTC.** Funds raised in the MSME and MTC capital market rose by nearly fourfold between 2017 and 2023, increasing from RM1.6 billion to RM6.3 billion, representing a compound annual growth rate (CAGR) of 25.8%.

**Figure 2-2**  
Amount of capital raised in MSME and MTC capital market (2017-2023)

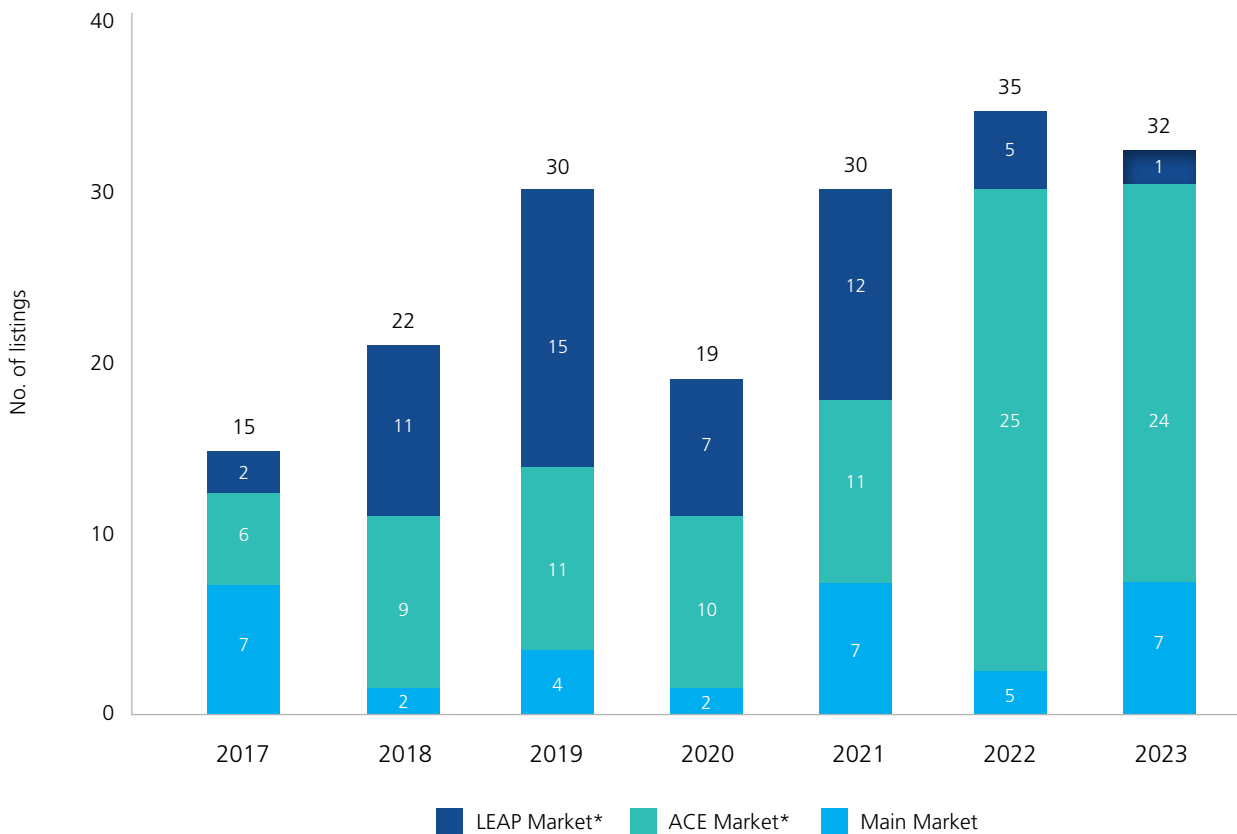


Note:  
The data shown represents the fundraising amount in the MSME and MTC capital market and may not reflect the total fundraising amount for MSME and MTC. This Roadmap acknowledges that MTC also raise funds on the Main Market. However, for the purpose of analysis, the Roadmap focuses on the LEAP Market and ACE Market as the majority of issuers on these fundraising channels consist of MSME and MTC.

### 2.1.1 LEAP MARKET AND ACE MARKET

The LEAP Market and ACE Market constitute the largest source of financing in the MSME and MTC capital market wherein RM12.8 billion was raised between 2017 to 2023 (Figure 2-2), constituting more than half of the total capital raised.

**Figure 2-3**  
Number of listings on the public market (2017-2023)



Note:  
\*MSME and MTC capital market.

Source: Bursa Malaysia.

**The number of listings on the public market is driven by the LEAP Market and ACE Market.** Listings on the LEAP Market and ACE Market accounted for more than 80% of total listings between 2017 and 2023. LEAP Market listings peaked in 2019, before experiencing a slowdown in the subsequent years.<sup>5</sup> Market engagements have revealed that many companies that chose to list on the LEAP Market intended to grow and transfer to larger boards but faced difficulties in doing so. To facilitate this transfer to the ACE Market, the LEAP Market Transfer Framework was introduced in 2023.

<sup>5</sup> Bursa Malaysia.

### 2.1.2 VENTURE CAPITAL AND PRIVATE EQUITY

**VC and PE accounted for RM5.9 billion of the total funds raised via the MSME and MTC capital market between 2017 to 2023 (Figure 2-2).** They have been a consistent source of financing for MSME and MTC, constituting an average of 24% of total annual fundraising in the MSME and MTC capital market.

**For Malaysia, VC sources of funds are mainly government-backed, while PE has more private sector investment.** Government agencies and government-linked investment companies (GLICs) alongside sovereign funds constitute 61% of the total VC funding in 2023. Over 65% of PE sources of funds in 2023 originate from corporate investors, individual and family offices and financial institutions.<sup>6</sup>

**Recent government initiatives have been focusing on crowding-in private investments to catalyse investments in the VC and PE segment.** Key examples are Khazanah Nasional's RM600 million *Dana Impak*, Kumpulan Wang Persaraan (Diperbadankan) (KWAP)'s RM500 million *Dana Perintis* and Employees Provident Fund's (EPF) commitment of investing up to RM250 million in mid- to growth-stage companies in Malaysia. Furthermore, the *Malaysia Venture Capital Roadmap* (MVCR) launched in April 2024 aims to foster the growth of the VC ecosystem, including enhancement of domestic investment growth.

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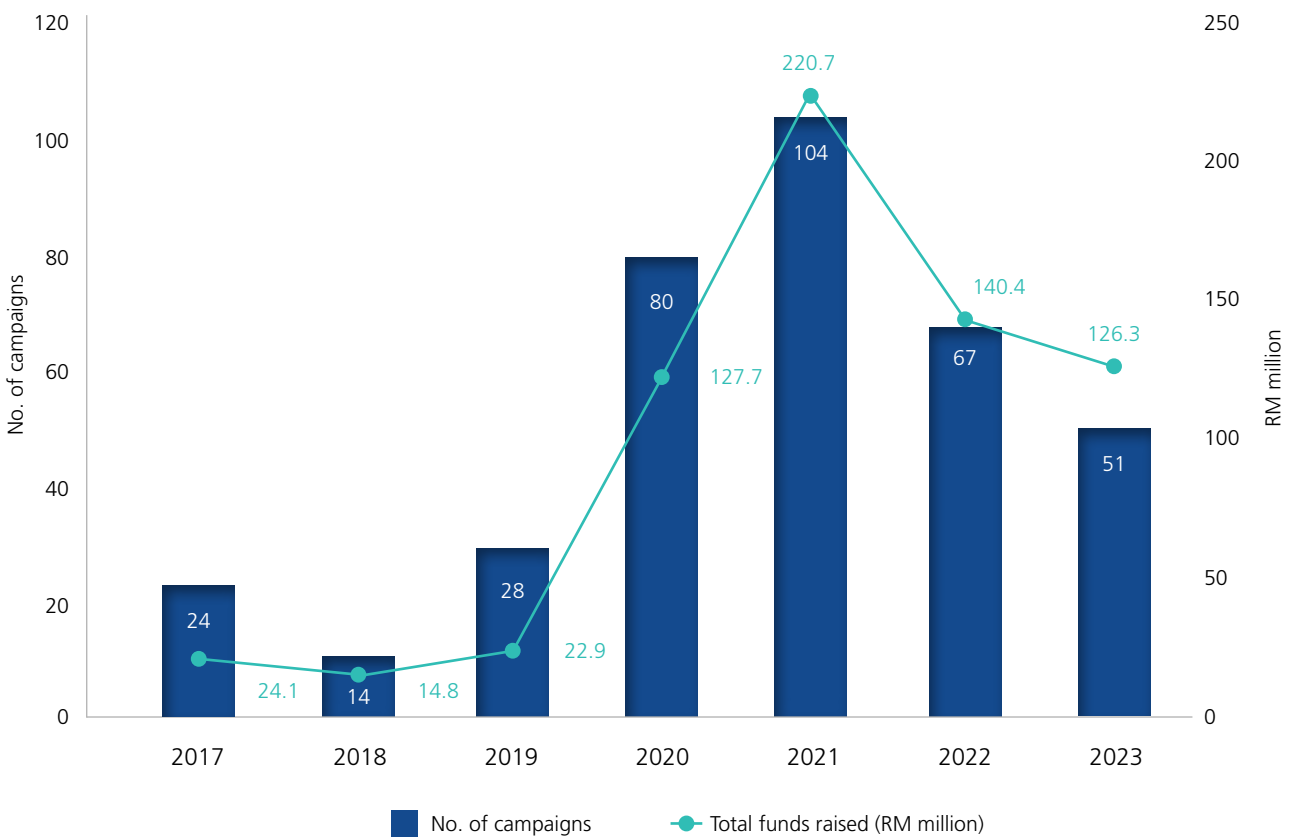
<sup>6</sup> SC Annual Report (2023).

### 2.1.3 ECF AND P2P FINANCING PLATFORMS

#### ECF

From 2017 until 2023, ECF campaigns have raised a cumulative total of RM676.9 million or 2.7% of the total funds raised in the MSME and MTC capital market. The amount of fundraising and number of campaigns in ECF peaked during 2021, with RM220.7 million raised from 104 campaigns, but declined to RM126.3 million in funds raised from 51 ECF campaigns in 2023.

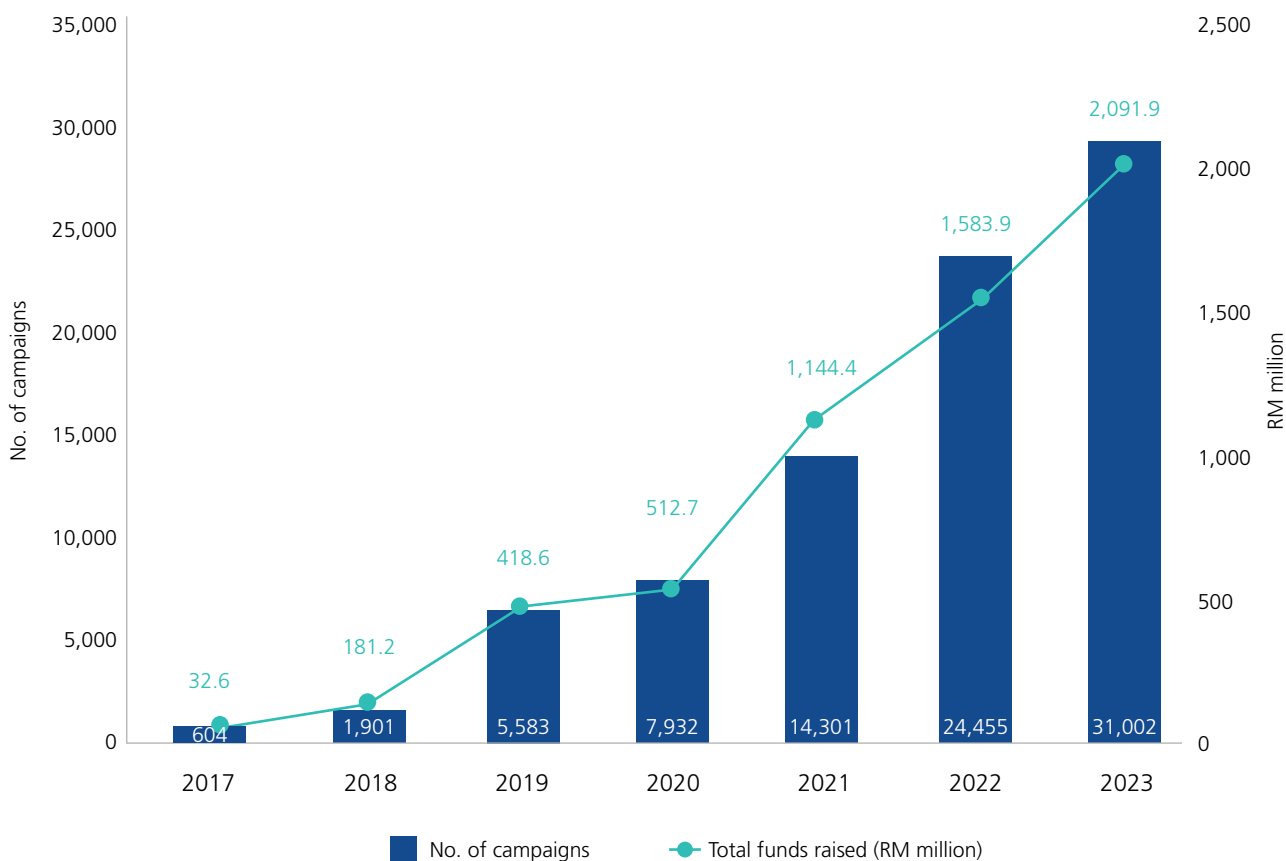
**Figure 2-4**  
Total funds raised through ECF (2017-2023)



### P2P financing

From 2017 until 2023, P2P financing campaigns have raised a cumulative total of RM5.97 billion or 23.5% of the total funds raised in the MSME and MTC capital market. MSME and MTC primarily utilise P2P financing for working capital needs, with short-term notes of less than six months accounting for over 80% of the total issuance in 2023.

**Figure 2-5**  
Total funds raised through P2P financing (2017-2023)



**ECF and P2P financing platforms have attracted active participation from retail investors.** P2P financing is largely supported by retail investors, who make up 89% of the investor base in 2023. Additionally, nearly half (46%) of P2P financing investors are aged 35 years and below, indicating a young investor demographic.<sup>7</sup> Retail investors constitute more than half (56%) of ECF's investor demographic. In terms of investment amount, angel investors, high-net-worth individual (HNWI) and high-net-worth entity (HNWE) make up roughly 90% of the funds supplied in ECF.

<sup>7</sup> SC Annual Report (2023).

## Box Article 2

## FACILITATING MSME INTO SHARIAH-COMPLIANT MARKET-BASED FINANCING

Rooted in principles of Shariah, Islamic finance has witnessed remarkable growth, reaching almost US\$4 trillion in asset value and attracting interest from diverse communities seeking ethical financial solutions. This growth reflects a broader trend towards ethical consumption, which extends to the thriving *halal* economy. As of 2022, the *halal* economy stood at US\$6.25 trillion globally, driven by the growing Muslim population and rising demand for *halal* products and services.<sup>8</sup>

Against this landscape, Malaysia stands at the forefront. Based on the *State of the Global Islamic Economy Report 2023*, Malaysia secured the top spot in the Global Islamic Economy Indicator for the tenth consecutive year since 2012. This connotes significant potential for MSME in the *halal* economy to leverage digital financing platforms available within Malaysia's ICM to support their expansion agenda.

### Shariah Screening Assessment Toolkit for Unlisted MSME

Recognising the importance of MSME, the SC has taken proactive steps to facilitate the development of Shariah-compliant market-based crowdfunding platforms to meet their unique funding needs. This includes the introduction of the *Shariah Screening Assessment Toolkit for Unlisted MSME* (Toolkit) in 2021.

The Toolkit, accessible at the SC website, provides guidance focusing on ECF and P2P financing platform operators, Shariah Advisers and interested stakeholders in evaluating the Shariah compliance status of MSME within the unlisted market. The Toolkit is thus well-suited for MSME in the *halal* sector and equips them to be market-ready for the various options in the capital market.

### Opening of New Registrations for ECF and P2P Financing Platforms with Shariah-Compliant Solutions

The SC announced in 2022 the opening of new registrations for ECF and P2P financing platform operators offering Shariah-compliant solutions and value propositions. This measure aims to enhance the Islamic fintech ecosystem and allow greater fundraising access for MSME in the *halal* economy, as well as investment options for all capital market participants.

The country has witnessed notable growth of Shariah-compliant solutions, with Shariah-compliant fundraising accounting for 24% (RM524.8 million) of the total funds raised through ECF and P2P financing in 2023, compared to 8% (RM140.8 million) in 2022. As of December 2023, there are 11 platform operators that offer Shariah-compliant solutions.

### Collaborative Efforts on Awareness

To raise awareness, the SC also partnered with key industry stakeholders and relevant agencies to engage MSME and promote Shariah-compliant fundraising options to support the growth of the *halal* economy. Through these engagements, the SC has directly engaged with over 600 MSME, offering valuable insights and resources to enhance their awareness and understanding of digital financing platforms within the ICM.

Moving forward, the SC anticipates greater interest and participation from MSME and MTC in the ICM, given the robust framework and facilitative ecosystem for Shariah-compliant fundraising activities. These efforts will allow MSME and MTC to reach a broader pool of investors beyond traditional financial institutions and complement Malaysia's effort to continue positioning itself as a global leader in the *halal* economy.

<sup>8</sup> 10<sup>th</sup> *State of the Global Islamic Economy Report*, Dinar Standard (2023).

## 2.2 KEY LEARNINGS FROM GLOBAL AND REGIONAL CAPITAL MARKETS

Key learnings and potential interventions observed from other capital markets in addressing financing challenges of MSME can be summarised into five thematic areas:

### 1. Regulatory flexibility

Recognising the distinct characteristics of MSME across different stages of growth, industries and verticals, regulators and MSME-focused boards or exchanges have taken steps to introduce greater flexibility in listing requirements.<sup>9</sup> This includes special listing tracks or different sets of listing criteria. For example, the Korea Exchange (KRX) has implemented special provisions on its KONEX Market, facilitating MSME with prior success in ECF fundraising to list on the exchange. Similarly, applicant companies for KRX's KOSDAQ Market have the flexibility to select the set of criteria that best aligns with their business characteristics.

### 2. Targeted awareness and education programmes

Awareness programmes targeting MSME and investors are typically comprehensive, employing multiple approaches. These programmes are complemented by user-friendly and accessible tools designed to cater to different target groups. Notable examples include Indonesia's IDX Incubator Programme, which focuses on preparing high-potential startups for initial public offerings (IPO) through targeted programmes. Similarly, initiatives like Nasdaq's *Entrepreneur Pitch Toolkit* in the US provide resources and guidance for entrepreneurs based on their funding needs.

### 3. Innovation in capital market instruments to reduce cost and attract participation

Countries continuously innovate capital market instruments to enhance access to financing that are traditionally accessible to larger, established enterprises. A key purpose has been to make MSME investments more attractive to investors. Market innovations typically focus on reducing cost, simplifying operational processes or employing pooling mechanisms to facilitate smaller-sized issuances. From engagements with regional regulators, examples of such innovations include SmartSukuk in Indonesia and SME Collective Bonds in China. These initiatives reflect a growing trend of capital market instruments specifically catered to MSME needs.

In addition, the capital market can be an indirect source of financing for MSME. MSME lenders can utilise the refinancing facility offered through securitisation and other pooling mechanisms. This is evident not only in advanced countries, but also in large emerging markets such as Mexico.

### 4. Utilisation of technology to enhance access to information

The utilisation of technology has enabled access to information for the benefit of MSME seeking access to the capital market. One notable initiative is the Universal Trusted Credential (UTC) programme, supported by the United Nations Development Programme (UNDP) and the Monetary Authority of Singapore (MAS). This programme utilises distributed ledger technology to assess the creditworthiness of MSME, thereby enhancing their access to affordable financing. The use of technology to enhance access to information is also evident in initiatives such as the Small Business Capital Raising Hub by the US Securities and Exchange Commission and the Access to Finance portal by the European Union. These platforms provide diagnostic tools and offer financing information tailored to the preferences and growth stages of companies, further facilitating their access to the capital market.

### 5. Role of governments in providing scale and de-risking new solutions

The participation of government ministries and agencies is key in fostering an enabling environment and encouraging the introduction of new financing solutions, particularly blended finance solutions. They can offer support in the form of development financing as well as providing risk mitigation mechanisms. This will encourage the crowding-in of private capital for the development of MSME.

Many innovative interventions have been utilised in other countries with a prime example of this approach being the UK's British Business Bank. One of its key objectives is ensuring diversification of funding sources by widening the range of financing options available to smaller businesses and supporting increases in the number, type and capabilities of delivery partners, which include finance providers and platforms.

<sup>9</sup> Definitions of MSME or SME may vary widely across regions. It also may or may not include MTC.



# 3 | GAPS AND OPPORTUNITIES FOR MSME AND MTC FINANCING





### 3.1 INTRODUCTION

Based on market engagements and key learnings from other countries, several key issues and challenges in positioning the Malaysian capital market as an attractive and robust source of financing for MSME and MTC were identified. This highlights the need for various measures to be undertaken to ensure capital market solutions are more inclusive and able to cater to a wide range of business models.

### 3.2 KEY ISSUES AND CHALLENGES FACED BY MSME AND MTC

#### Relatively high cost of issuance and compliance requirements for MSME and MTC

**MSME and MTC often face high costs associated with fundraising, and in particular, professional fees and compliance expenses.** While this applies to various capital market instruments, market engagements have revealed that high costs and compliance requirements are particularly challenging when it comes to listing. The estimated total listing costs on the LEAP Market is approximately RM1 million to RM2 million (constituting 13% of total funds raised).<sup>10</sup> This translates to higher average listing costs relative to the raised amount when compared to only 9% in the ACE Market and 4% in the Main Market, which adds to the considerations for listing on the LEAP Market.<sup>11</sup>

Market engagements and the Study have revealed that the high costs of preparing for listing also stem from the lack of readiness to meet compliance requirements including the need to seek additional time and professional advice in areas where enterprises lack expertise. These costs may include additional expenses related to legal and audit services. Although the process of obtaining listing approval has been expedited from a regulatory perspective, market engagements indicate that there are instances where the preparation to meet the compliance requirements for listing may take two to three years.

This highlights a need for targeted measures aimed at reducing costs and addressing the readiness of MSME and MTC to move the needle for high potential companies that are capital market-ready and primed for listing.

#### Lack of awareness and readiness to enter the capital market

**Awareness and utilisation of capital market financing options among MSME and MTC are relatively low.** According to the Study, only 30% of questionnaire respondents indicated experience in fundraising through the capital market.<sup>12</sup> This is in line with survey findings by the ICMR which indicates that market-based financing experiences lower adoption rates. Only 15% of startups, 18% of MSME and 34% of MTC surveyed have utilised market-based financing. Furthermore, among those who have not used market-based financing, 39% were still unaware of the availability of market-based financing options.<sup>13</sup>

Feedback from market engagements have indicated that MSME and MTC still struggle with fundamental financial reporting and are not fully aware of or do not understand equity issuances, which indirectly fosters a preference for debt-based financing instruments. One of the main barriers cited is their fear about the potential loss of control.

**Current knowledge and capacity-building programmes need to include capital market elements catered to the diverse needs of MSME and MTC.** Most programmes by MSME and MTC development agencies focus on financial management and broader growth and development, which may not directly address awareness and readiness to access the capital market. Furthermore, in easing MSME access to financing, government efforts are concentrated on providing financial assistance. In 2023, out of 96 programmes addressing access to financing, 86% were related to micro-financing, guarantee schemes and grant schemes.<sup>14</sup> Notwithstanding,

<sup>10</sup> Listing your company on Bursa Malaysia, Crowe (2023).

<sup>11</sup> *Ibid.*

<sup>12</sup> SC MSME Financing Gap Questionnaire (Demand-Side).

<sup>13</sup> *Market-based Financing for SMEs in Malaysia: Issues, Challenges, and Way Forward*, ICMR (2024).

<sup>14</sup> MSME Insights 2022/23, SME Corp (2024).

MSME and MTC are still not adequately prepared to meet the basic requirements of the capital market. Moreover, in dealing with investors, MSME and MTC also require practical guidance to enhance their ESG standards and corporate governance disclosures.

**MSME and MTC development agencies are critical change agents in enhancing awareness and ensuring effective funnelling to the capital market.** While MSME and MTC are looking to explore capital market solutions, they continue to heavily rely on government grants and bank loans. Based on the Study, 74.3% of MSME and MTC intend to seek financing via government grants, while 72.6% intend to engage banks. This indicates that government agencies and financial institutions remain the primary touchpoints for MSME and MTC, and efforts to shift the reliance from current financing sources towards the capital market will require collaboration with key MSME and MTC touchpoints.

### 3.3 KEY ISSUES AND CHALLENGES FACED BY INVESTORS

#### Liquidity and exit concerns for MSME investments

**Limited access and investment restrictions contribute to liquidity and exit concerns.** Access to the LEAP Market, as well as VC and PE funds are currently limited to sophisticated investors. This may act as a barrier to a greater supply of capital for these market segments. Market engagements have highlighted that despite the lower disclosure requirements of ECF platforms, they are more accessible to a wider range of investors compared to the LEAP Market. VC and PE funds also impose restrictions on eligible investors, which includes minimum investment amounts and long holding periods before being able to exit. Investments in privately-held MSME and MTC are also relatively illiquid with a relatively longer investment horizon. This results in differing valuation expectations and limited exit options for MSME investments. In addition, smaller ticket sizes can result in higher transaction costs, particularly for institutional investors. These factors contribute to the overall liquidity concerns faced by investors in the MSME and MTC space. Therefore, initiatives to facilitate investor participation in MSME and MTC investments and encourage more listings and pooling of assets will help enhance liquidity and exit options.

**Product innovation and regulatory facilitation are needed to tap further into the retail investor base as a source of capital for MSME and MTC.** Retail investors are increasingly seeking investment opportunities with high returns. In order to tap into this source of capital, listed investment vehicles would benefit retail investors by enabling them to leverage the expertise of investment professionals and intermediaries. Proper investor safeguards would be essential, alongside product innovation to attract more retail participation.

#### Limited data or expertise to adequately assess MSME and MTC investments

**Investors face challenges in assessing the risks associated with MSME investments because of the lack of credible and transparent information.** Prospective investors interested in undertaking MSME investments often face difficulties when trying to assess the financial health and track record of these businesses. The inherently informal nature of MSME results in a higher level of information asymmetry, making it challenging for investors to perform assessments. The inability to accurately assess the risks associated with MSME fosters a perception of higher risk, creating barriers to MSME investments.

**Limited specialised resources and skills to evaluate MSME and MTC investments reinforce reliance on traditional assessment methods and valuation models.** MSME and MTC may operate in niche and specialised sectors which are unfamiliar to investors and intermediaries. Startups, in particular, may not be profitable in their early years and have a high burn rate as they strive to gain market share. The LEAP Market and ACE Market currently do not impose profit requirements for listing. However, there has been a limited number of companies without a profit track record on these markets in the last 10 years. This suggests that investors and intermediaries in this segment primarily rely on traditional profitability metrics. In addition, they lack the skills to evaluate high-growth, value-based businesses in niche and specialised segments. In the context of corporate venture capital (CVC), the boards and senior management may face challenges in assessing the unique nature of these investments that limits their participation. Market engagements have emphasised the need for specialised resources and skills among investors and intermediaries to effectively evaluate funding and investments in new growth segments.

**Widening the MSME and MTC investor base may require concerted efforts to de-risk investments and encourage public-private co-investment.** Government-backed funding has been critical in bridging the financing gap for MSME and MTC. For example, the Malaysia Co-Investment Fund (MyCIF) has played a critical role in financing inclusivity, particularly for micro and small issuers and underserved sectors such as agriculture and social enterprises.<sup>15</sup> Beyond current initiatives to address the lack of investor confidence in MSME and MTC, mechanisms are needed to lower or pool the risk borne by investors. Moreover, it is important to consider aggregation to address the small investment sizes of MSME which make them relatively costly and inefficient for institutional investors. The MVCR has introduced various interventions to encourage greater involvement from GLICs, government-linked companies (GLCs) and corporations in venture investments. This includes enhancing the appeal of the government's matching fund-of-funds (FOF) scheme. Other de-risking measures that can be explored for MSME investments include guarantee mechanisms and securitisation of SME loans and receivables.

### 3.4 GAPS IN THE MARKET INFRASTRUCTURE

#### Information asymmetry and gaps in supporting infrastructure for MSME and MTC investments

**Capital market information for MSME and MTC is fragmented across multiple channels.** This fragmentation makes it challenging for MSME and MTC to have a clear understanding of the pathways to entry and the available options for financing through equity- and debt-based instruments facilitated by different platforms and intermediaries. Even for those who are more aware, navigating the different fundraising requirements and investor expectations can be difficult. In order to attract more MSME and MTC to the capital market, it is important to provide accessible, interconnected and user-friendly information, leveraging digital resources and tools.

**The lack of supporting infrastructure for MSME and MTC investments has resulted in difficulty in facilitating or promoting private market deals and trade sales.** The lack of a centralised source of information and platforms to connect MSME and MTC to investors further complicates the situation. There is no comprehensive data on MSME and MTC readily available to investors to facilitate investment decisions, making the process time-consuming and complicated. To address this issue, it is necessary to streamline and centralise sources of information to allow for transparency that is needed to aid decision-making and trade matching.

**Development financial institutions (DFI) can play a crucial role in facilitating capital formation and strengthening the capital market infrastructure.** DFI can address financing gaps and provide financing support during economic downturns, particularly for MSME and MTC that may be considered high risk. These institutions have made significant contributions in the broader financing landscape, and there are opportunities to extend their roles within the capital market, particularly to help develop the securitisation market and promote other innovative solutions.

With supportive market infrastructure in place, MSME and MTC can access diverse financing options and navigate requirements with ease to efficiently and effectively raise capital.

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<sup>15</sup> *MyCIF Annual Report, SC (2022).*



# 4 | THE WAY FORWARD



## 4.1 INTRODUCTION

The capital market can play a stronger role in fulfilling the financing needs of MSME and MTC. The Roadmap aims to grow the MSME and MTC capital market fundraising by seven times, from RM6.3 billion in 2023 to RM40 billion in 2028. This represents a 46% CAGR over the next five years. While MSME and MTC primarily rely on traditional financing avenues such as banks, up to 20% of financing can be sourced from the capital market.<sup>16</sup> Given an estimated MSME financing gap of RM290 billion in 2022,<sup>17</sup> it is imperative to have more effective and targeted MSME and MTC capital market solutions that can better complement traditional financing sources.

## 4.2 GUIDING PRINCIPLES

The Roadmap outlines five guiding principles in achieving the key outcome highlighted in Chapter 1. These principles are used in developing the cross-cutting strategies and initiatives to address the key gaps and opportunities identified in Chapter 3. The desired aims and outcomes of the five guiding principles are as follows:

**Table 4-1**

Five guiding principles of the Roadmap

NO.	GUIDING PRINCIPLES	AIMS AND OUTCOMES
1.	Reduce cost of issuance and promote facilitative fundraising requirements for MSME and MTC	To better address MSME and MTC concerns around cost and complexity of capital market instruments, this principle aims to develop <b>accessible, flexible and cost-effective financing options</b> for MSME and MTC
2.	Promote awareness and capacity building	To address awareness and readiness of capital market participants including MSME and MTC, intermediaries and investors, this principle aims to adopt a targeted approach to enhance programmes and resources for <b>better outreach and talent development</b>
3.	Widen investor base and access to MSME and MTC	To address risk and liquidity concerns, this principle aims to enhance <b>regulatory flexibility and investment avenues</b> to attract new institutional, retail and foreign investors to participate in MSME and MTC investments
4.	Innovate and adapt instruments for inclusive access	To broaden financing access, this principle aims to introduce <b>a diverse range of instruments and de-risking mechanisms</b> to cater to the needs of MSME and MTC and encourage investor participation
5.	Leverage technology for information provision and greater interconnectivity	To address information asymmetry and connectivity, this principle aims to <b>harness technology and digital tools</b> to enhance dissemination of and accessibility to high quality, user-friendly information and knowledge to bridge the gap between issuers and investors and effectively funnel MSME and MTC to the capital market

<sup>16</sup> *Towards Better Capital Markets Solutions For SME Financing*, Oliver Wyman (2014).

<sup>17</sup> For the purpose of the Roadmap, an updated financing gap estimate was calculated by PwC, adapting methodology by the International Finance Corporation (IFC) and supplemented with inputs provided by the Study. Data was also sourced from the International Monetary Fund (IMF)'s Financial Access Survey (FAS) and the Organisation for Economic Cooperation and Development (OECD)'s SME Scorecard. This adapted methodology was shared with the World Bank and will be refined, if required, as the Roadmap is implemented.

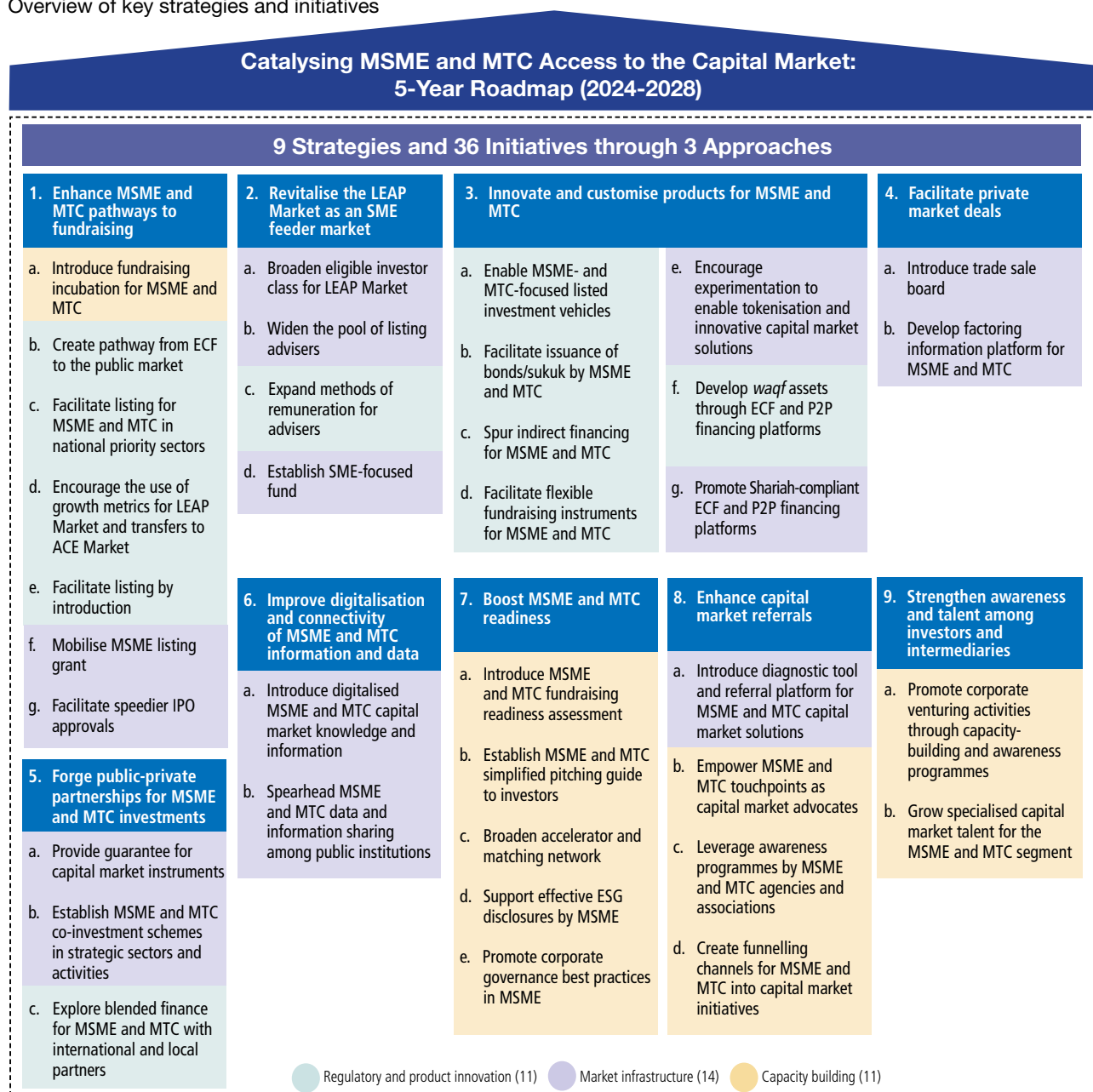
### 4.3 ROADMAP STRATEGIES AND INITIATIVES

The Roadmap encompasses nine strategies that aim to address the gaps and capitalise on opportunities in the MSME and MTC capital market. These strategies collectively contribute to the desired aims and outcomes. In supporting these strategies, a total of 36 initiatives have been identified under the Roadmap with three approaches, which are regulatory and product innovation, market infrastructure and capacity building.

The implementation of these strategies and initiatives is guided by a whole-of-nation approach, emphasising the importance of collaboration and co-ordination. Key initiatives have been developed in collaboration with partners from government ministries, agencies, and the private sector. The SC as custodian of the Roadmap will work together with capital market intermediaries and Roadmap collaborators to undertake the various initiatives under the Roadmap. Mostly potential collaborators outside the capital market are highlighted for specific initiatives. The combined effort of all stakeholders will promote greater synergy and co-ordination in achieving the outcomes of the Roadmap.

By adopting this comprehensive approach and engaging collaborators, the Roadmap seeks to address the challenges and seize the opportunities for MSME and MTC, fostering a conducive environment to increase their access to the capital market. The details are outlined in Figure 4-1.

**Figure 4-1**  
Overview of key strategies and initiatives



## STRATEGY 1: ENHANCE MSME AND MTC PATHWAYS TO FUNDRAISING

### Case for change

In encouraging easier access for MSME and MTC to fundraise in the capital market, fundraising requirements will need to consider the unique characteristics of MSME and MTC.

Targeted initiatives under this strategy are aimed at cultivating an agile fundraising environment by providing flexible and tailored pathways to assist MSME and MTC, as well as improving their readiness for the capital market through specialised programmes and support.

Successful execution of this strategy will ultimately expand the pipeline of capital market-ready companies, facilitate seamless entry into the capital market and progression towards higher-tier markets.

### Alignment to aims and outcomes

- Providing accessible, flexible and cost-effective financing options to increase MSME and MTC fundraising in the capital market

### Measures of success

- Number of successful MSME and MTC listings on the public market
- Number of transfer of listing within the public market
- Total amount of MSME and MTC fundraising in the capital market

Initiatives under this strategy
1a. Introduce fundraising incubation for MSME and MTC
1b. Create pathway from ECF to the public market
1c. Facilitate listing for MSME and MTC in national priority sectors
1d. Encourage the use of growth metrics for LEAP Market and transfers to ACE Market
1e. Facilitate listing by introduction*
1f. Mobilise MSME listing grant
1g. Facilitate speedier IPO approvals*

Note:

\* Ongoing or existing initiative.

## INITIATIVE 1A: INTRODUCE FUNDRAISING INCUBATION FOR MSME AND MTC

### Objective

This initiative aims to enhance the readiness of high-potential companies for fundraising in the capital market. This will also help create a visible pipeline of high-potential companies for capital market fundraising. By providing targeted support and guidance, the programme aims to equip these companies with the necessary skills and knowledge to navigate the fundraising process successfully.

### Description

The MSME and MTC fundraising incubation focuses on companies that have displayed potential readiness for the capital market.

The incubation offers tailored capacity-building activities, such as integrated counselling and handholding, to assist these companies in their fundraising journey. These companies will receive targeted assistance to strengthen their prospects for listing or fundraising campaigns, along with profiling via trade sale board (refer to Initiative 4a) and marketing support.

Upon successful completion of the incubation programme, MSME and MTC will be more equipped and ready for fundraising through the capital market.

Potential key collaborator



### Learnings from Chinese Taipei

#### Go Incubation Board for Startup and Acceleration Firms<sup>18</sup>

Launched in 2014, Go Incubation Board for Startup and Acceleration Firms (GISA) was established to help small-sized non-public innovative companies in capacity building on the various areas of business through integrative counselling. The business areas include accounting, internal controls, marketing and regulatory aspects. Furthermore, GISA also allows fundraising activities to be conducted on their platform. Several companies have graduated from GISA to the public market, such as Brinno's IPO in the Emerging Stock Board, and subsequently, Taipei Exchange (TPEX) Main Board. This highlights an example of GISA's success in incubating and accelerating prospective companies, providing a base for capacity building to eventually scale and list on the Main Board.

<sup>18</sup> Taipei Exchange.



## INITIATIVE 1B: CREATE PATHWAY FROM ECF TO THE PUBLIC MARKET

### Objective

This initiative aims to provide MSME and MTC that have utilised ECF fundraising with a clearer pathway to list on the public market, while also providing potential exit opportunities for ECF investors. This will enhance the pipeline of companies going for public listing and also attract more companies to fundraise on ECF platforms.

### Description

This entails a framework for companies with ECF fundraising track record to list on the public market. Potential criteria could include:

- Quantitative requirements such as size of funds raised through ECF and composition of investors, including institutional or sophisticated investors
- Qualitative requirements, such as past track record of compliance, timeliness and transparency in disclosing information
- Eligibility for fast-tracked listing to the public market

### Learnings from South Korea

#### KONEX Market Special Provisions for Crowd-Funded Companies<sup>19</sup>

The KONEX Market has introduced special provisions to encourage the listing of startups and companies that have successfully conducted crowdfunding campaigns. A special exemption for listing is provided for companies that have successfully conducted crowdfunding campaigns, either via crowdfunding platforms or the KRX Startup Market, an over-the-counter crowdfunding exchange. Quantitative requirements such as size of funding and the minimum number of investors are also applied based on the crowdfunding platform.

Companies that meet the quantitative requirements may choose to list their shares in the KONEX Market with certain exemptions but are subject to qualitative evaluation regarding public interest and investor protection by the KRX Division of Crowd-funded Corporation. This evaluation focuses on aspects such as the company's regular and timely disclosure and management transparency.

<sup>19</sup> Korea Exchange (KRX).

## INITIATIVE 1C: FACILITATE LISTING OF MSME AND MTC IN NATIONAL PRIORITY SECTORS

### Objective

This initiative aims to support the growth of companies in national priority sectors by providing these companies with greater opportunities to fundraise in the public market, enhancing their visibility and boosting their contribution to the economic development of the country.

### Description

This entails the development of a special listing pathway to better accommodate the unique characteristics of companies in national priority sectors. Companies operating in priority sectors as outlined in national policies such as the *New Industrial Master Plan 2030* (NIMP 2030) and the *National Energy Transition Roadmap* (NETR) will be eligible for the special listing pathway. The criteria may include:

- Eligible sectors and companies
- Sector-specific requirements
- Alternative qualifying thresholds
- Eligibility for fast-tracked listing on the public market
- Research and development (R&D) and innovation capabilities

## INITIATIVE 1D: ENCOURAGE THE USE OF GROWTH METRICS FOR THE LEAP MARKET AND TRANSFERS TO THE ACE MARKET

### Objective

This initiative aims to promote alternative considerations and measures for listing of high growth potential companies on the LEAP Market and transfer of listing to the ACE Market, against the backdrop that there is no minimum operating track record or profit requirement.

### Description

To assist companies with high growth but do not have a profit track record, alternative growth metrics such as revenue growth, minimum market capitalisation and positive operating income may be considered for listing and transfer of listing. This initiative is designed to further incentivise companies to list on the LEAP Market and encourage transfer from the LEAP Market to the ACE Market. It will complement the LEAP Market Transfer Framework that has been implemented to enable eligible companies listed on the LEAP Market to transfer to the ACE Market without the need for delisting.

## INITIATIVE 1E: FACILITATE LISTING BY INTRODUCTION

### Objective

The initiative aims to reduce listing costs for eligible MTC and medium-sized companies through facilitating and encouraging listing by introduction on the public market.

### Description

Listing by introduction (also known as direct listing in other jurisdictions), is an existing option for MSME and MTC which offers an alternative pathway to list on the public market. As there are no new shares being issued, there will be no equity dilution while eliminating the need for underwriters and investment bankers, resulting in lower listing costs. With listing by introduction, existing shareholders also have the opportunity to sell their shares directly to the public following the listing. This allows shareholders to realise the value of their investments and provides liquidity for the company shares.

## INITIATIVE 1F: MOBILISE MSME LISTING GRANT

### Objective

This initiative aims to defray the cost of listings for MSME seeking to list on the public market.

### Description

The provision of financial support in the form of listing grants enables MSME to offset costs associated with listing and gain access to the LEAP Market or the ACE Market. There are ongoing and new efforts by SME Corp which are focused on listing grants:

1. Bumiputera Enterprise Enhancement Programme (BEEP) – this programme offers listing grants aimed to support Bumiputera-owned enterprises
2. Business Accelerator Programme (BAP) – this programme will provide listing grants to assist eligible MSME

Moving forward, this initiative aims to mobilise more parties to provide listing grants as a means to incentivise MSME to pursue listing on the LEAP Market or the ACE Market.

Potential key collaborator



## INITIATIVE 1G: FACILITATE SPEEDIER IPO APPROVALS

### Objective

This new initiative effective March 2024 aims to facilitate a faster time-to-market for qualified IPO applicants seeking to fundraise and list on the ACE Market, as well as provide a clear regulatory approval timeframe to potential issuers.<sup>20</sup>

The more competitive time-to-market seeks to enhance the public market's attractiveness to MSME and MTC seeking to list in Malaysia.

### Description

The provision of regulatory approval for ACE Market IPOs within three months, premised on ACE Market Sponsors satisfactorily addressing queries and comments on IPO applications within five market days. The commitment will augment the current practice of a fixed response time with the aim of leveraging a stronger collaboration between the regulators and industry players. This collaborative effort underscores the regulators' commitment to fostering a conducive environment for issuers, facilitating their access to the capital market with greater certainty and efficiency.

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<sup>20</sup> This initiative also applies to the Main Market.

## STRATEGY 2: REVITALISE THE LEAP MARKET AS AN SME FEEDER MARKET

### Case for change

The LEAP Market was established in 2017 with the focus to provide SME with a platform for public listing, facilitating fundraising and enhancing their visibility. While listings on the LEAP Market have shown promise, challenges such as low trading activity and cost-related issues hinder greater investor participation and SME fundraising.

Targeted initiatives under this strategy are aimed at revitalising the LEAP Market as an SME feeder market and to serve as an effective bridge to the ACE Market and Main Market. This includes expanding the pool of potential investors and advisers. Revitalising the LEAP Market will also be complemented by initiatives under other strategies such as listing grants, enhanced fundraising pathways, fundraising incubation and capacity-building programmes.

Successful execution of this strategy will crowd-in a larger pool of funds to the LEAP Market, and provide greater flexibility for advisers, contributing to a more vibrant fundraising and investment ecosystem for SME.

### Alignment to aims and outcomes

- Providing accessible, flexible and cost-effective financing options to increase SME fundraising in the capital market
- Enhancing regulatory flexibility to attract new investors to participate in SME investments

### Measures of success

- Number of SME listings in the LEAP Market
- Total amount of SME fundraising in the LEAP Market

Initiatives under this strategy
2a. Broaden eligible investor class for LEAP Market*
2b. Widen the pool of listing advisers
2c. Expand methods of remuneration for advisers
2d. Establish SME-focused fund

Note:

\* Ongoing or existing initiative.

## INITIATIVE 2A: BROADEN ELIGIBLE INVESTOR CLASS FOR LEAP MARKET

### Objective

This new initiative effective February 2024 aims to attract a more diverse investor base locally and regionally and encourage greater capital flow into the LEAP Market.

### Description

Key features of the new *Guidelines on Categories of Sophisticated Investors* include a new category that takes into account the knowledge and experience of investors. This category assesses potential investors based on their education, recognised financial association membership and practical experience in relevant sectors such as banking, capital markets or insurance. Additionally, further flexibilities on financial thresholds were introduced to expand the pool of HNWI.

By increasing investor participation from both local and regional investors, liquidity and price discovery within the LEAP Market can be improved.

## INITIATIVE 2B: WIDEN THE POOL OF LISTING ADVISERS

### Objective

This initiative aims to diversify the pool of listing advisers, especially those with different areas of expertise relevant to SME segments. This will encourage a more competitive market in the adviser space and a better pool of expertise to provide support services for the SME.

### Description

Regulatory requirements surrounding the eligibility criteria for LEAP Market Approved Advisers will be reviewed. Different types of existing ecosystem players may be allowed to assume the role of listing advisers which may include:

- Legal and accounting firms
- Startup accelerators
- Remisiers
- VC and PE players

## INITIATIVE 2C: EXPAND METHODS OF REMUNERATION FOR ADVISERS

### Objective

This initiative aims to provide alternative means of remuneration for advisers that will be more practicable for SME.

### Description

The initiative allows advisers to receive other forms of fee payment in lieu of cash. This alternative remuneration method can provide financial management flexibility and help financially strained SME reduce their cash outflows. An example of an alternative remuneration method is fee payment in the form of equity. This will be accompanied with safeguards to mitigate conflicts of interest, such as:

- Moratoriums
- Limits on how much of the fee can be paid in equity
- Limits on advisers' stake in the company

## INITIATIVE 2D: ESTABLISH SME-FOCUSED FUND

### Objective

This initiative aims to enable the government to act as a cornerstone investor for SME. This provides greater support for and confidence in companies listing on the public market.

### Description

The creation of a new investment fund from either single or multiple government ministries, agencies, GLCs and GLICs to channel funds directly to SME listings on the public market.

## STRATEGY 3: INNOVATE AND CUSTOMISE PRODUCTS FOR MSME AND MTC

### Case for change

Innovations in capital market instruments such as ECF and P2P financing have been key in providing viable financing options for MSME and MTC to facilitate growth and expansion.

Targeted initiatives under this strategy are aimed at fostering innovative equity and debt financing solutions for MSME and MTC, both conventional and Islamic.

Successful execution of this strategy will contribute to an increase in MSME and MTC issuances and facilitate greater investor participation. The envisioned end state is a capital market that offers an increasingly diverse range of financing options tailored to MSME and MTC needs, along with increased utilisation of indirect financing options, leading to a more inclusive and supportive capital market ecosystem.

### Alignment to aims and outcomes

- Providing accessible, flexible and cost-effective financing options to increase MSME and MTC fundraising in the capital market
- Introducing a diverse range of instruments and de-risking mechanisms to cater to the needs of MSME and MTC
- Enhancing investment avenues to attract participation in new MSME and MTC investments

### Measures of success

- Number of instruments or structures introduced for MSME and MTC
- Total amount of MSME and MTC fundraising from new capital market instruments

Initiatives under this strategy
3a. Enable MSME- and MTC-focused listed investment vehicles
3b. Facilitate issuance of bonds/sukuk by MSME and MTC
3c. Spur indirect financing for MSME and MTC
3d. Facilitate flexible fundraising instruments for MSME and MTC
3e. Encourage experimentation to enable tokenisation and innovative capital market solutions
3f. Develop <i>waqf</i> assets through ECF and P2P financing platforms*
3g. Promote Shariah-compliant ECF and P2P financing platforms*

Note:

\* Ongoing or existing initiative.



## INITIATIVE 3A: ENABLE MSME- AND MTC-FOCUSED LISTED INVESTMENT VEHICLES

### Objective

This initiative aims to broaden the investor base for MSME and MTC by enabling retail and institutional investor participation through new listed investment vehicles. This allows the wider investing public to invest in higher-risk asset classes with their investments managed by investment professionals. It would also enable MSME and MTC to have greater access to a wider pool of capital.

### Description

Listed investment vehicles such as listed VC and PE funds, listed FOF and Special Purpose Acquisition Company (SPAC) provide investors, particularly retail investors, with exposure to investments in MSME and MTC through publicly traded securities. Brief descriptions of these listed investment vehicles are as follows:

- **Listed VC and PE:** Listed VC and PE vehicles invest in privately held companies or funds that primarily invest in private companies. They provide an opportunity to the wider investing public to participate in VC and PE investments through publicly traded securities.
- **Listed FOF:** Listed FOF invest in a portfolio of VC and PE funds or other investment funds. They allow investors to access a range of VC and PE investments through a single investment vehicle.
- **SPAC:** SPAC is a type of listed investment vehicle that raise capital through an IPO with the sole purpose of acquiring an existing company within a specified timeframe. It provides a vehicle for investors to participate in the potential returns of a specific acquisition target.

## INITIATIVE 3B: FACILITATE ISSUANCE OF BONDS/SUKUK BY MSME AND MTC

### Objective

This initiative aims to facilitate MSME and MTC usage of bonds/sukuk as a fundraising instrument, by addressing common hurdles in bond issuances such as insufficient scale, high costs and disclosure requirements.

### Description

Bonds/sukuk can be tailored to fit the characteristics and fundraising ticket size of MSME and MTC. Cost reduction for individual MSME and MTC can be achieved through various measures. This includes having facilitative disclosure requirements, access to credit ratings, utilising technology or introducing new structures such as collective or pooled issuance to facilitate smaller issuances.

To enable these measures, this initiative seeks to facilitate the issuance of bonds/sukuk by considering areas such as:

- Infrastructure and technology required to facilitate bond/sukuk issuance
- Process facilitating the bond/sukuk issuance
- Criteria for determining quality companies which are eligible to issue bonds/sukuk
- Eligible investor group
- Required disclosure and obligations for each party
- The role of credit guarantee in offsetting the risk associated with bond/sukuk issuance
- Collaboration with credit rating agencies

### Learnings from other regions

#### SmartSukuk by Blossom Finance, Indonesia<sup>21</sup>

Blossom's SmartSukuk platform utilises blockchain technology to issue Shariah-compliant financing for SME. Smart contracts are digitally executed, enabling issuance of sukuk at a smaller size, and in a cost-efficient and transparent manner.

#### SME Collective Bond, China<sup>22</sup>

The SME Collective Bond is issued by three or more SME under the same security and separate liability. Credit security is further enhanced by financial institutions, improving the credit rating to enable SME to access financing at a lower cost with better financial structure.

#### Minibonds, Italy<sup>23</sup>

Introduced in 2012, minibonds were introduced to enable SME to access corporate bonds for funding their development plans, investments or refinancing. Issuers must publicly disclose business plans, typically with maturities ranging from five to seven years. As of the end of 2020, over 409 SME have issued minibonds.

<sup>21</sup> Islamic Finance Upgraded: Smarter Sukuk Using Blockchain, Blossom Finance (2018).

<sup>22</sup> Small-and-Medium Enterprise Collective Note, China Merchant Bank.

<sup>23</sup> Minibond issuers: a quantitative exploration of the Italian market, University of Macerata and University of Angers (2022).

## INITIATIVE 3C: SPUR INDIRECT FINANCING FOR MSME AND MTC

### Objective

This initiative aims to promote utilisation of capital market solutions to increase available funding to intermediaries that provide financing for MSME and MTC. This can help crowd-in private capital and provide risk diversification for investors.

### Description

DFI play a crucial role in complementing banks to meet the financing needs of underserved sectors and segments, including MSME. In 2023, DFI approved RM5.1 billion for MSME financing including providing equity financing to support innovative and highly leveraged businesses lacking access to conventional financing.<sup>24</sup>

This initiative seeks to encourage DFI and other relevant financial institutions to utilise capital market solutions to increase the pool of funds available to MSME and MTC. This could be implemented in various methods such as:

- Securitisation of MSME and MTC loans: DFI can pool together a portfolio of MSME and MTC loans and receivables to be converted into tradable securities, known as asset-backed securities (ABS). ABS can be sold to investors in the capital market, providing liquidity to DFI and enabling them to extend more financing to MSME and MTC.
- Bond/sukuk issuance: DFI can issue bonds/sukuk in the capital market to raise funds, with the proceeds used to provide loans or credit facilities for MSME and MTC.

## INITIATIVE 3D: FACILITATE FLEXIBLE FUNDRAISING INSTRUMENTS FOR MSME AND MTC

### Objective

This initiative aims to introduce or enhance regulatory frameworks to enable flexible fundraising instruments to be issued by MSME and MTC.

### Description

Flexible financial instruments allow companies to raise funds, while investors are able to convert the supplied capital or debt into equity.

Preliminary frameworks under review include:

- Simple Agreement for Future Equity (SAFE) notes
- Exemption for small issuances

Currently, the *Capital Markets and Services Act 2007* (CMSA) provides a broad exemption for offering shares of a private company. However, existing exemptions may not be sufficient to cover personal offers of instruments such as convertible notes and SAFE-like instruments which are increasingly common in early-stage funding. New exemptions will be introduced to address the issue.

<sup>24</sup> Annual Report, Bank Negara Malaysia (2023).

## INITIATIVE 3E: ENCOURAGE EXPERIMENTATION TO ENABLE TOKENISATION AND INNOVATIVE CAPITAL MARKET SOLUTIONS

### Objective

This initiative aims to encourage innovation in the capital market to surface specific solutions that could benefit MSME and MTC.

### Description

To foster an environment conducive for developing solutions that can enhance access to the capital market. This is done through providing high-potential and viable capital market products and services with a controlled, live environment to allow validation and encourage creativity with reduced risk and damages associated with real-world experimentation.

Examples include:

- Establishing innovation hubs or regulatory 'safe zones' to experiment with new technology and business models.
- Implementing regulatory sandboxes to test specific solutions for the capital market, including new models enabled by tokenisation<sup>25</sup>.
- Proactive dialogue between regulators and industry players to identify emerging trends and potential regulatory gaps, including in the area of tokenisation. This may involve enabling existing incumbents to tokenise conventional securities, based on existing legal and regulatory requirements applicable to underlying securities and requirements to manage new risks, e.g., ownership and technology risks in activities involving tokenisation.

## INITIATIVE 3F: DEVELOP WAQF ASSETS THROUGH ECF AND P2P FINANCING PLATFORMS

### Objective

This ongoing initiative aims to promote fundraising activities with matching investment for MSME in social impact projects, including development of *waqf* assets.

### Description

The Federal Budget 2024 announced an allocation of RM100 million through MyCIF to support initiatives related to food security, environment and community.

This also involves collaborating with State Islamic Religious Councils (SIRCs) to develop *waqf* assets through the ICM for health, education and agricultural sectors.

To meet these objectives, MyCIF will co-invest in relevant projects with a special matching ratio provided for eligible MSME.

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<sup>25</sup> Globally and regionally, there is increasing interest among firms and projects in raising funds via issuance of (1) security tokens, which involve issuance of capital market products into distributed ledger technology (DLT) or tokenised form, and (2) utility tokens, which often grant access to unique goods and services from the issuer.

## **INITIATIVE 3G: PROMOTE SHARIAH-COMPLIANT ECF AND P2P FINANCING PLATFORMS**

### **Objective**

This ongoing initiative aims to catalyse innovation in Shariah offerings to further meet the funding needs of MSME and MTC in the *halal* economy through ECF and P2P financing platforms.

### **Description**

To broaden Shariah-compliant product offerings in ECF and P2P financing, the SC in 2022 announced the opening of new registrations for ECF and P2P financing platform operators offering Shariah-compliant solutions and value propositions. Pursuant to the SC's ongoing effort in this regard, a few operators have received approval-in-principle to commence operations. This will provide more avenues for MSME and MTC to access Shariah financing solutions, as well as for investors to participate in the *halal* economy.

## STRATEGY 4: FACILITATE PRIVATE MARKET DEALS

### Case for change

Infrastructure to match demand and supply of capital within the private market is an important factor to facilitate fundraising and merger and acquisition (M&A) activities. Transparent, up-to-date information on available investment opportunities is critical to connect MSME and MTC to investors as well as intermediaries.

Targeted initiatives under this strategy aim to improve infrastructure and mechanisms for fundraising and trade sales, which can spur greater private market deals and activities.

Successful execution of this strategy will result in a dynamic marketplace that enables enhanced connectivity among businesses and investors, as well as efficient access to capital for MSME and MTC.

### Alignment to aims and outcomes

- Enhancing dissemination and accessibility to high quality, user-friendly information and knowledge to bridge the gap between issuers and investors

### Measures of success

- Number of successful fundraising campaigns and trade matches
- Total amount of MSME and MTC fundraising from private market platforms

#### Initiatives under this strategy

4a. Introduce trade sale board

4b. Develop factoring information platform for MSME and MTC

## INITIATIVE 4A: INTRODUCE TRADE SALE BOARD

### Objective

This initiative aims to aggregate information on opportunities for private market investments, as well as potential interest from investors to enable trade sales and diversify exit options.

### Description

The establishment of a trade sale board will allow users to broadcast intent for trade sales of private companies. The trade sale board will feature a listing and search functionality where MSME and MTC can provide details of the business for trade matching, enabling companies and investors looking for exit opportunities to connect with other potential investors.

## INITIATIVE 4B: DEVELOP FACTORING INFORMATION PLATFORM FOR MSME AND MTC

### Objective

This initiative aims to promote the use of factoring among MSME and MTC, expanding their access to working capital.

### Description

The development of a factoring information platform serves to aggregate information from capital market and non-capital market factoring providers on a single platform. This will ease the process for MSME and MTC to make use of factoring. Meanwhile, greater transparency of factoring information will foster greater competition among factoring providers which may lead to better financing rates. To accelerate adoption, public agencies can encourage MSME and MTC in supply chains to make use of factoring via this platform.

### Learnings from Mexico<sup>26</sup>

*Nacional Financiera* (NAFIN), a Mexican development bank, has developed an online factoring platform called *Cadenas Productivas*. This platform connects large buyers with small suppliers, enabling suppliers to access working capital financing through factoring transactions with participating financial institutions. The programme operates through an online infrastructure, reducing costs and facilitating almost instantaneous operations.

The key features of the programme include the creation of chains between large buyers and their suppliers, with buyers inviting suppliers to join their chain. Suppliers can then use their receivables from these large buyers to obtain immediate cash through factoring operations. The programme has been successful, with over 11 million factoring transactions completed between 2001 and 2010, totalling more than US\$90 billion.

The success of NAFIN's online factoring platform can be attributed to several factors. Firstly, the programme addresses the financing needs of SMEs by providing them with access to working capital financing, which is often challenging for these businesses. Secondly, the online platform reduces transaction costs and streamlines operations, making it more efficient for both buyers and suppliers. Additionally, the programme leverages technology to overcome barriers to access to finance, particularly for SMEs in developing countries.

The programme's success is also evident in its ability to increase access to finance for SMEs and its replication in other Latin American countries through agreements with regional development banks. Overall, NAFIN's online factoring platform has proven to be an effective tool in facilitating financial intermediation and supporting the growth of SMEs.

<sup>26</sup> *Innovative Experiences In Access to Finance: Market Friendly Roles For The Visible Hand?*, De la Torre, A., Gozzi, J.C., and Schmukler, S.L. (2017).

## STRATEGY 5: FORGE PUBLIC-PRIVATE PARTNERSHIPS FOR MSME AND MTC INVESTMENTS

### Case for change

MSME investments are perceived to be high risk in nature due to information asymmetries between MSME and investors as well as a limited financial track record. Mechanisms to lower investment risks by involving the participation of public institutions in MSME investments can increase investor confidence and frame MSME as a viable investment opportunity.

Initiatives under this strategy aim to reduce the risks associated with investing in MSME by utilising supporting infrastructures. This includes employing credit enhancement measures and exploring more public-private co-investment opportunities, making investing in MSME an attractive option for the private sector.

Successful execution of this strategy will increase the pool of funds available not only for MSME, but also for MTC.

### Alignment to aims and outcomes

- Enhancing investment avenues to attract participation in new MSME and MTC investments
- Introducing de-risking mechanisms to cater to the needs of MSME and MTC and encourage investor participation

### Measures of success

- Number of capital market investments covered by guarantee
- Total amount of MSME and MTC fundraising as a result of guarantee
- Total amount of MSME and MTC fundraising from public-private partnerships and co-investments

#### Initiatives under this strategy

5a. Provide guarantee for capital market instruments

5b. Establish MSME and MTC co-investment schemes in strategic sectors and activities

5c. Explore blended finance for MSME and MTC with international and local partners



## INITIATIVE 5A: PROVIDE GUARANTEE FOR CAPITAL MARKET INSTRUMENTS

### Objective

This initiative aims to expand current guarantee mechanisms to include more capital market instruments to lower risks for investors and stimulate a higher investment volume in MSME and MTC.

### Description

The introduction of new guarantee products will cover both debt- and equity-based capital market instruments, including ECF, LEAP Market and ACE Market. This extends beyond the current guarantee products for P2P financing products and bonds. A guarantee will de-risk the investment by reducing losses for investors in the event of adverse investment outcomes. This should attract investors and increase the supply of funding for MSME and MTC.

Potential key collaborator



## INITIATIVE 5B: ESTABLISH MSME AND MTC CO-INVESTMENT SCHEMES IN STRATEGIC SECTORS AND ACTIVITIES

### Objective

This initiative aims to crowd-in private investors through co-investment opportunities with the government, which can send a positive signal of MSME and MTC to investors and promote the participation of high potential MSME and MTC in strategic sectors and activities.

### Description

The government will be the cornerstone investor in MSME and MTC seeking to fundraise on ECF and P2P financing platforms or at the pre-IPO stage, supporting new entrants into the public market. This initiative builds upon the success of MyCIF and seeks to introduce new schemes by extending co-investments to other strategic sectors and activities.

## INITIATIVE 5C: EXPLORE BLENDED FINANCE FOR MSME AND MTC WITH INTERNATIONAL AND LOCAL PARTNERS

### Objective

This initiative aims to identify new, innovative measures of crowding-in private investment by absorbing risk through the mobilisation of public capital into MSME and MTC investments. This would help facilitate greater access to affordable and sustainable financing options for MSME and MTC.

### Description

Blended finance can leverage international and local capital to address challenges and mobilise additional financing for developmental purposes. In line with this, blended finance can potentially be targeted to help certain segments of MSME and MTC. MyCIF is one notable example of an existing blended finance structure, leveraging catalytic funding from the government and crowding-in private investment in ECF and P2P financing campaigns for MSME, social enterprises, agricultural businesses and ESG ventures.

Other forms of blended finance will be further studied and explored for the benefits of MSME and MTC which include:

- Risk-sharing facilities
- Technical assistance facilities
- Guarantee schemes (refer to Initiative 5a)
- Co-investment schemes (refer to Initiative 5b)

Box Article 3

## BLENDING FINANCE FOR SME FINANCING IN CAPITAL MARKETS

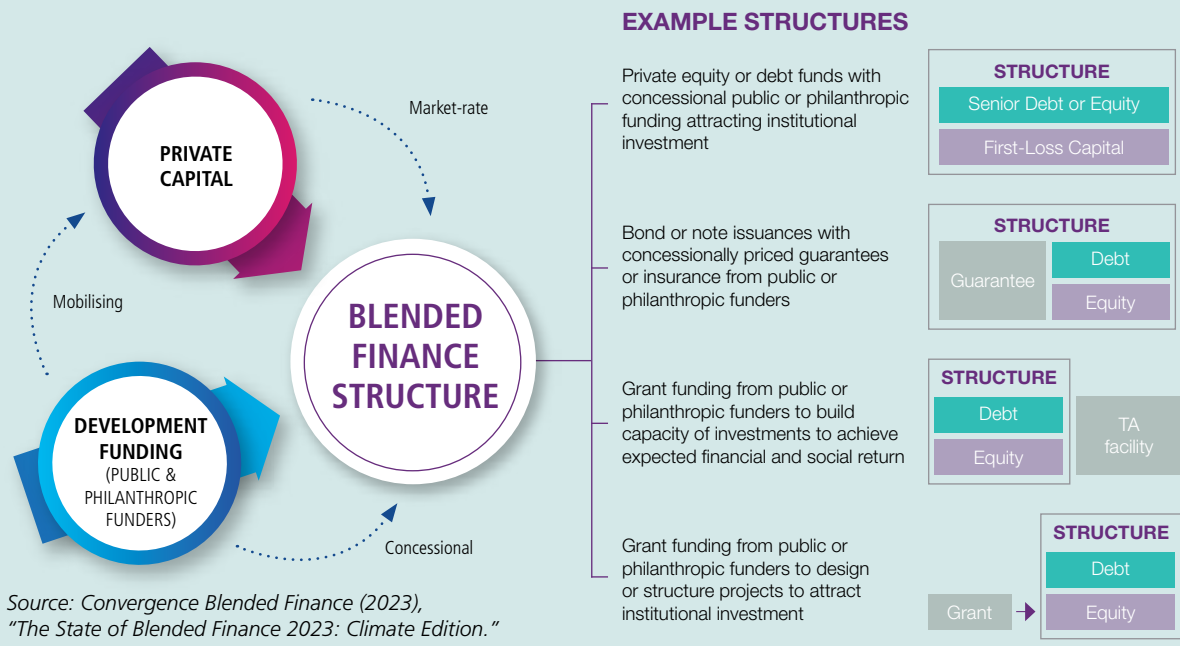
By World Bank

Blended finance is the use of catalytic capital from public or philanthropic sources to increase private sector investments to realise the Sustainable Development Goals (SDGs). It can thus be an important tool to develop financial markets and mobilise private capital, while and potentially lowering the need for public funding, to close the SME financing gap. In the context of financing SMEs, the main investment barriers for private investors addressed by blended finance are the relatively higher (real or perceived) riskiness of SMEs. That is, blended finance can create investment opportunities for private investors with acceptable risk-return profiles for the private sector.

Blended finance is a structuring approach, not an investment approach, instrument, or end solution. There are four common blended finance structures in which public or philanthropic investors: (i) provide funds on below-market terms to lower the overall cost of capital or to provide an additional layer of protection to private investors; (ii) provide credit enhancements through guarantees (or insurance) at below-market terms; (iii) provide grants for a technical assistance facility aimed at supporting ex ante project design, preparation, and structuring activities and/or ex post private capacity building.

In the context of SME financing in capital markets, blended finance structures can enhance the availability of financing for SMEs in several different ways (Figure 4-2). Blended finance transactions have benefitted SMEs directly – such as, start-ups, small and growing businesses – and indirectly by supporting financial institutions providing financing to SMEs, such as microfinance institutions and banks. For example, public funds can be used to attract institutional investors to venture capital, private equity, or debt funds. While having a strong commercial orientation, these funds seek to achieve policy objectives on behalf of the state, such as financing SMEs. Many are established with the explicit purpose of attracting private co-investment to segments where private financing would not invest on its own, such as start-ups. In addition, technical assistance funding can enhance fund manager’s capacity to improve due diligence, including monitoring and reporting practices. Blended finance can also support capital raising activity that support SME financing in debt and equity markets through direct funding to SME lenders or through concessional partial credit guarantees. For example, in some countries, governments have supported agri-SME lenders’ access to capital markets.

**Figure 4-2**  
Typical blended finance mechanics and structures



## STRATEGY 6: IMPROVE DIGITALISATION AND CONNECTIVITY OF MSME AND MTC INFORMATION AND DATA

### Case for change

MSME and MTC typically face difficulties in seeking information relating to the capital market. This stems from relatively low awareness of capital market financing options and the fragmented sources of capital market information. Additionally, there is greater need for more information and data on MSME and MTC which will help policymakers to accurately assess the state of play for MSME and MTC financing.

Initiatives under this strategy aim to reduce the complexities of navigating capital market information for MSME and MTC and enhance information sharing among public institutions on MSME and MTC.

Successful execution of this strategy ultimately contributes towards greater MSME and MTC utilisation of capital market solutions, as well as more targeted policies for MSME and MTC.

### Alignment to aims and outcomes

- Improving programmes and resources for better outreach and talent development
- Enhancing dissemination and accessibility to high quality, user-friendly information and knowledge to bridge the gap between issuers and investors
- Funnelling MSME and MTC to the capital market effectively

### Measures of success

- Number of successful matches to capital market solutions
- Number of MSME and MTC accessing and utilising digitalised capital market information and tools

#### Initiatives under this strategy

6a. Introduce digitalised MSME and MTC capital market knowledge and information

6b. Spearhead MSME and MTC data and information sharing among public institutions

## INITIATIVE 6A: INTRODUCE DIGITALISED MSME AND MTC CAPITAL MARKET KNOWLEDGE AND INFORMATION

### Objective

This initiative aims to digitalise and provide capital market resources and information in a simplified and streamlined manner to educate MSME and MTC on the capital market.

### Description

Digitalised capital market knowledge and information, in the form of 'MSME and MTC Capital Market Starter Pack', will be developed and embedded into existing MSME and MTC portals. The starter pack will help MSME and MTC learn how to effectively utilise capital market instruments. It will also enable MSME and MTC to familiarise themselves with various products, investor categories and market intermediaries, as well as relevant fundraising requirements.

The capital market starter pack contains:

- Capital Market 101: Self-learning resources containing information and updates on the capital market
- Diagnostic checklist to assess overall readiness to fundraise (refer to Initiative 7a)
- Integrated event calendar with information on MSME- and MTC-related capital market programmes

Potential key collaborator



## INITIATIVE 6B: SPEARHEAD MSME AND MTC DATA AND INFORMATION SHARING AMONG PUBLIC INSTITUTIONS

### Objective

This initiative aims to improve data and information sharing to enable more evidence-based policy development by public institutions with better insights on the state of play for MSME and MTC.

### Description

This entails the establishment of a bilateral or multilateral arrangement between public institutions for the sharing of MSME and MTC data and information for the development of policy and initiatives for MSME and MTC. Sharing of information among institutions can lead to better co-ordination and more effective targeting of policies.

Potential key collaborator



## STRATEGY 7: BOOST MSME AND MTC READINESS

### Case for change

Lack of readiness of MSME and MTC in the fundraising process may cause significant delays and increased cost of fundraising. An overestimation of their own readiness may also result in a mismatch of expectations with investors and intermediaries, further adding to difficulties in accessing the capital market.

Initiatives under this strategy aim to equip MSME and MTC with best practices and fundraising information by providing access to tools, resources and networks, thereby increasing their readiness to access available capital market solutions.

Successful execution of this strategy will optimise MSME and MTC time-to-market for fundraising and improve valuation outcomes.

### Alignment to aims and outcomes

- Providing comprehensive resources, programmes and outreach to improve readiness of MSME and MTC
- Enhancing dissemination and accessibility to high quality, user-friendly information and knowledge to bridge the gap between issuers and investors

### Measures of success

- Number of MSME and MTC accessing and utilising resources provided
- Readiness level of MSME and MTC

Initiatives under this strategy
7a. Introduce MSME and MTC fundraising readiness assessment
7b. Establish MSME and MTC simplified pitching guide to investors
7c. Broaden accelerator and matching network*
7d. Support effective ESG disclosures by MSME*
7e. Promote corporate governance best practices in MSME*

Note:

\* Ongoing or existing initiative.

## **INITIATIVE 7A: INTRODUCE MSME AND MTC FUNDRAISING READINESS ASSESSMENT**

### **Objective**

This initiative aims to provide MSME and MTC with a preliminary understanding of their readiness for fundraising.

### **Description**

Introduction of a simple online assessment checklist will assist MSME and MTC in evaluating their overall readiness for capital market fundraising. MSME and MTC can obtain a diagnostic assessment, highlighting areas of readiness as well as key gaps that need to be strengthened to prepare for capital market fundraising. Upon assessment and identification of readiness gaps, they will also be provided with links to relevant resources based on the result of the assessment.

## **INITIATIVE 7B: ESTABLISH MSME AND MTC SIMPLIFIED PITCHING GUIDE TO INVESTORS**

### **Objective**

This initiative aims to equip local MSME and MTC with the appropriate skill sets and capabilities in conveying their business proposition and fundraising objectives to investors.

### **Description**

Development of a simplified pitching guide includes self-learning modules aimed at enhancing the ability of MSME and MTC to pitch for investments. The guide is intended to be accessible and user-friendly by including interactive learning content with simplified messaging, templates and links to be utilised by MSME and MTC at their convenience.

**Potential key collaborator**



## INITIATIVE 7C: BROADEN ACCELERATOR AND MATCHING NETWORK

### Objective

This ongoing initiative aims to empower MSME and MTC with knowledge of capital market solutions and connect them with market intermediaries and regulators.

### Description

Accelerator and matching programmes to introduce participants to the benefits of accessing the capital market will be expanded. These programmes will cover the 'what' and 'how' of MSME and MTC capital market solutions. Under the matching network, MSME and MTC will be given the opportunity to have one-on-one sessions with capital market intermediaries such as listing advisers, platform operators and the stock exchange.

Potential key collaborator



## INITIATIVE 7D: SUPPORT EFFECTIVE ESG DISCLOSURES BY MSME

### Objective

This ongoing initiative aims to support greater MSME adoption of ESG disclosures. This will enable MSME to remain competitive and relevant, responding to the growing demand for sustainable practices and qualifying for relevant incentives.

### Description

The *Simplified ESG Disclosure Guide* (SEDG) seeks to provide a simple and standard format for MSME to provide ESG disclosures. The SEDG covers indicators that can be tracked and disclosed to measure ESG progress. Box Article 4 elaborates further on the SEDG and its supporting components.

Potential key collaborator





## Box Article 4

## SIMPLIFIED ESG DISCLOSURE GUIDE

By Capital Markets Malaysia

In October 2023 Capital Markets Malaysia (CMM), an affiliate of the SC, published the *Simplified ESG Disclosure Guide* (SEDG) for SMEs in Supply Chains, making Malaysia the first country globally to provide SMEs within global supply chains with a streamlined and standardised set of guidelines in relation to environmental, social and governance (ESG) disclosures.

The SEDG is developed in recognition of SMEs that are exposed to risks from supply chain vulnerabilities, and the urgent need to prepare Malaysian SMEs in supply chains to be able to meet the ESG data requirements of their various stakeholders.

### Methodology

The SEDG consolidates and simplifies the many complex global and local ESG-related frameworks to improve the availability of ESG data and information by SMEs. It is aligned to global sustainability reporting frameworks and standards which include the Global Reporting Initiative (GRI), the International Sustainability Standards Board (ISSB) and the GHG Protocol and incorporates disclosures set out in the Bursa Malaysia Listing Requirements, Bursa Malaysia's *Sustainability Reporting Guide* as well as the *Malaysian Code on Corporate Governance* (MCCG).

In ensuring that the recommended disclosures in the SEDG are aligned with the expectations of requesters of ESG data (customers, financiers and investors) as well as data reporters (suppliers), CMM conducted multiple focus group sessions to test the applicability and relevance of each disclosure with these key stakeholder groups.

CMM also published the Bahasa Melayu and Simplified Chinese versions of the SEDG in December 2023, to support inclusive and extensive adoption by SMEs.

### SEDG Adopter Programme

Beyond the Guide, CMM also launched the SEDG Adopter Programme to provide SMEs with access to in-person training, tutorials and workshops nationwide to guide SMEs in disclosing ESG data. The programme aims to facilitate learning and sharing of experiences from a community of practitioners facing similar successes and challenges in implementing ESG reporting.

### Sector Guidance

The SEDG is designed to be a resource for all sectors. However, several economic sectors are particularly vulnerable to increased scrutiny and disclosure requirements. To support these sectors, in May 2024, CMM will release the SEDG Sector Guide for five sectors, namely Energy, Transport and Storage, Construction and Real Estate, Agriculture and Manufacturing. The sectoral guidance will provide additional Environmental and Social disclosures to satisfy the specific material considerations of these five sectors.

### Conclusion

The journey of adopting sustainable practices can be daunting for SMEs. The SEDG is meant to support our SMEs through this journey by providing a structured and practical guide to navigate the process of tracking and reporting their ESG data.

## INITIATIVE 7E: PROMOTE CORPORATE GOVERNANCE BEST PRACTICES IN MSME

### Objective

This ongoing initiative aims to inculcate deeper understanding and adoption of governance best practices by MSME to better prepare them for the fundraising process.

### Description

The development of *Governance Code for Malaysian MSMEs* will address fundamental governance requirements and sustainability issues relevant to MSME and highlight key mandatory requirements (non-exhaustive) and recommendations on governance best practices.

Potential key collaborators



## STRATEGY 8: ENHANCE CAPITAL MARKET REFERRALS

### Case for change

Government agencies and other relevant MSME and MTC touchpoints that interact with MSME and MTC through their relevant programmes or services serve as crucial sources of information for MSME and MTC. This includes providing guidance on effective business strategies as well as the financing avenues and opportunities available to them.

Initiatives proposed under this strategy are aimed at tapping into existing MSME and MTC touchpoints as capital market advocates to build a pipeline of MSME and MTC to be funnelled into the capital market.

Successful execution of this strategy will lead more MSME and MTC to the capital market, through greater awareness and proliferation of robust capital market channels.

### Alignment to aims and outcomes

- Improving programmes and resources for better outreach and talent development
- Funnelling MSME and MTC into the capital market effectively

### Measures of success

- Number of new capital market advocates
- Number of MSME and MTC funnelled into the capital market
- Total amount of MSME and MTC fundraising as a result of touchpoint referrals

Initiatives under this strategy
8a. Introduce diagnostic tool and referral platform for MSME and MTC capital market solutions
8b. Empower MSME and MTC touchpoints as capital market advocates
8c. Leverage awareness programmes by MSME and MTC agencies and associations
8d. Create funnelling channels for MSME and MTC into capital market initiatives

## INITIATIVE 8A: INTRODUCE DIAGNOSTIC TOOL AND REFERRAL PLATFORM FOR MSME AND MTC CAPITAL MARKET SOLUTIONS

### Objective

This initiative aims to connect MSME and MTC to a wider range of suitable capital market solutions based on their growth stage and financing needs. This is intended to ease the MSME and MTC fundraising journey and increase effective referrals to the capital market.

### Description

The imSME platform by Credit Guarantee Corporation Malaysia (CGC) can be expanded to include capital market solutions such as ECF, P2P financing, VC, PE and listing sponsors and advisers. The platform envisages to incorporate a digital capital market diagnostic tool which examines the MSME and MTC profile and financing needs, to connect them to capital market intermediaries for fundraising. This involves expanding the current platform to include three key channels:

1. ECF and P2P financing platform operators; by expanding the current base of operators to include all ECF and P2P financing platforms registered with the SC
2. VC and PE; by creating linkages to the MyStartup platform
3. Public market; by onboarding listing sponsors and advisers

Potential key collaborators



## INITIATIVE 8B: EMPOWER MSME AND MTC TOUCHPOINTS AS CAPITAL MARKET ADVOCATES

### Objective

This initiative aims to improve the connection between MSME and MTC and the capital market by ensuring effective referrals from existing touchpoints to the capital market.

### Description

The empowerment of MSME and MTC touchpoints such as DFI, financial institutions and government agencies with knowledge of capital market instruments, programmes and assistance available will enable them to provide suitable recommendations for MSME and MTC. This is done by equipping touchpoints with:

- Knowledge and resources on capital market instruments
- A structured funnelling approach

This will improve efficiency and effectiveness of MSME and MTC touchpoints in their role as a referral point and capital market advocate.

Potential key collaborators



## INITIATIVE 8C: LEVERAGE AWARENESS PROGRAMMES BY MSME AND MTC AGENCIES AND ASSOCIATIONS

### Objective

This initiative aims to foster awareness and take-up of capital market solutions among MSME and MTC by leveraging existing awareness programmes by MSME and MTC agencies and associations.

### Description

Collaboration with MSME and MTC touchpoints, particularly agencies and industry associations, will include delivery of tailored awareness campaigns as well as the mobilisation of peer networks to share successful capital market fundraising stories. This can improve understanding of capital market solutions and help dispel misconceptions regarding the capital market. Furthermore, leveraging the wide reach of these existing programmes can foster greater financial inclusion through roadshows and programmes targeted at MSME and MTC out of the Klang Valley.



## INITIATIVE 8D: CREATE FUNNELLING CHANNELS FOR MSME AND MTC INTO CAPITAL MARKET INITIATIVES

### Objective

This initiative aims to funnel MSME and MTC into capital market programmes and initiatives via MSME and MTC touchpoints.

### Description

MSME and MTC agencies and associations typically have mechanisms to assess and filter high-potential, high-growth companies in their network. This initiative looks to leverage these existing mechanisms to identify MSME and MTC that are suitable to be funnelled into capital market programmes and events.



## STRATEGY 9: STRENGTHEN AWARENESS AND TALENT AMONG INVESTORS AND INTERMEDIARIES

### Case for change

There are limited resources and skills to evaluate MSME and MTC investments, especially those operating in niche and specialised sectors which may be unfamiliar to investors and advisers. This leads to missed investment opportunities. Additionally, there is room for greater capital allocation by Malaysian corporations into corporate venturing activities to support MSME and MTC.

Targeted initiatives under this strategy are aimed at promoting awareness among corporate investors and developing specialised talent to better evaluate the investment potential of MSME and MTC.

Successful execution of this strategy will increase investment in MSME and MTC across all growth stages. It will also improve awareness and decision-making in evaluating investments in these segments. This will provide a larger pool of capital for MSME and MTC.

### Alignment to aims and outcomes

- Attracting new investors to participate in MSME and MTC investments
- Improving programmes and resources for better outreach and talent development

### Measures of success

- Total amount of MSME and MTC fundraised from CVC
- Number of capital market talent with specialised skills

#### Initiatives under this strategy

9a. Promote corporate venturing activities through capacity-building and awareness programmes

9b. Grow specialised capital market talent for the MSME and MTC segment

## INITIATIVE 9A: PROMOTE CORPORATE VENTURING ACTIVITIES THROUGH CAPACITY-BUILDING AND AWARENESS PROGRAMMES

### Objective

This initiative aims to build scale and develop the ecosystem for corporate venturing in Malaysia by providing support in the form of capacity building and greater awareness.

### Description

A two-pronged approach via capacity-building and awareness campaigns will be adopted under this initiative. This builds upon existing efforts by CMM and relevant stakeholders to develop the corporate venture landscape in Malaysia. This initiative will bolster awareness on the concept and value proposition of corporate venturing through curated content with media outlets and providing thought leadership in the corporate venturing space.

<p>Potential key collaborator</p>	
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## INITIATIVE 9B: GROW SPECIALISED CAPITAL MARKET TALENT FOR THE MSME AND MTC SEGMENT

### Objective


This initiative aims to develop resources and skills of investors and intermediaries to effectively evaluate investment opportunities in niche and specialised sectors. With better knowledge and skills, investors will benefit from improved investment decisions on MSME and MTC in these sectors, while well-equipped intermediaries will drive greater and more effective capital formation.

### Description

The introduction of professional development programmes will deepen competencies and nurture specialised talent in the capital market and specific growth segments such as sustainability, technology and national priority sectors.

The programmes may include the following modules:

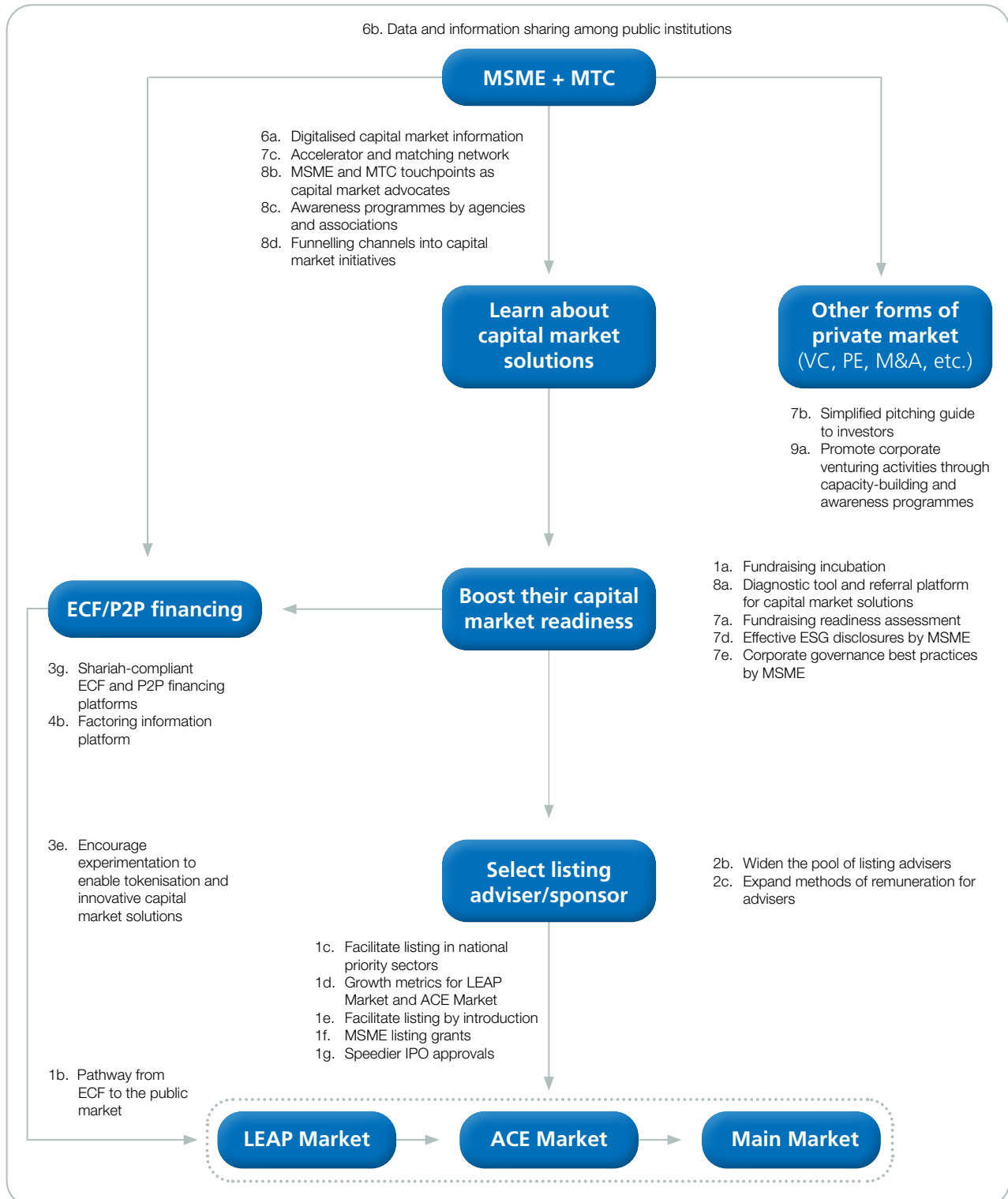
- Sector-specific knowledge covering industry dynamics, trends, key players and emerging opportunities.
- Financial analysis skills and modelling techniques specific to MSME and MTC.
- Market research and due diligence focusing on analysing relevant data, assessing market potential, identifying competitive landscapes and evaluating risks and opportunities specific to the growth segments.

<p>Potential key collaborator</p>	
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### 4.4 OVERVIEW OF ROADMAP INITIATIVES

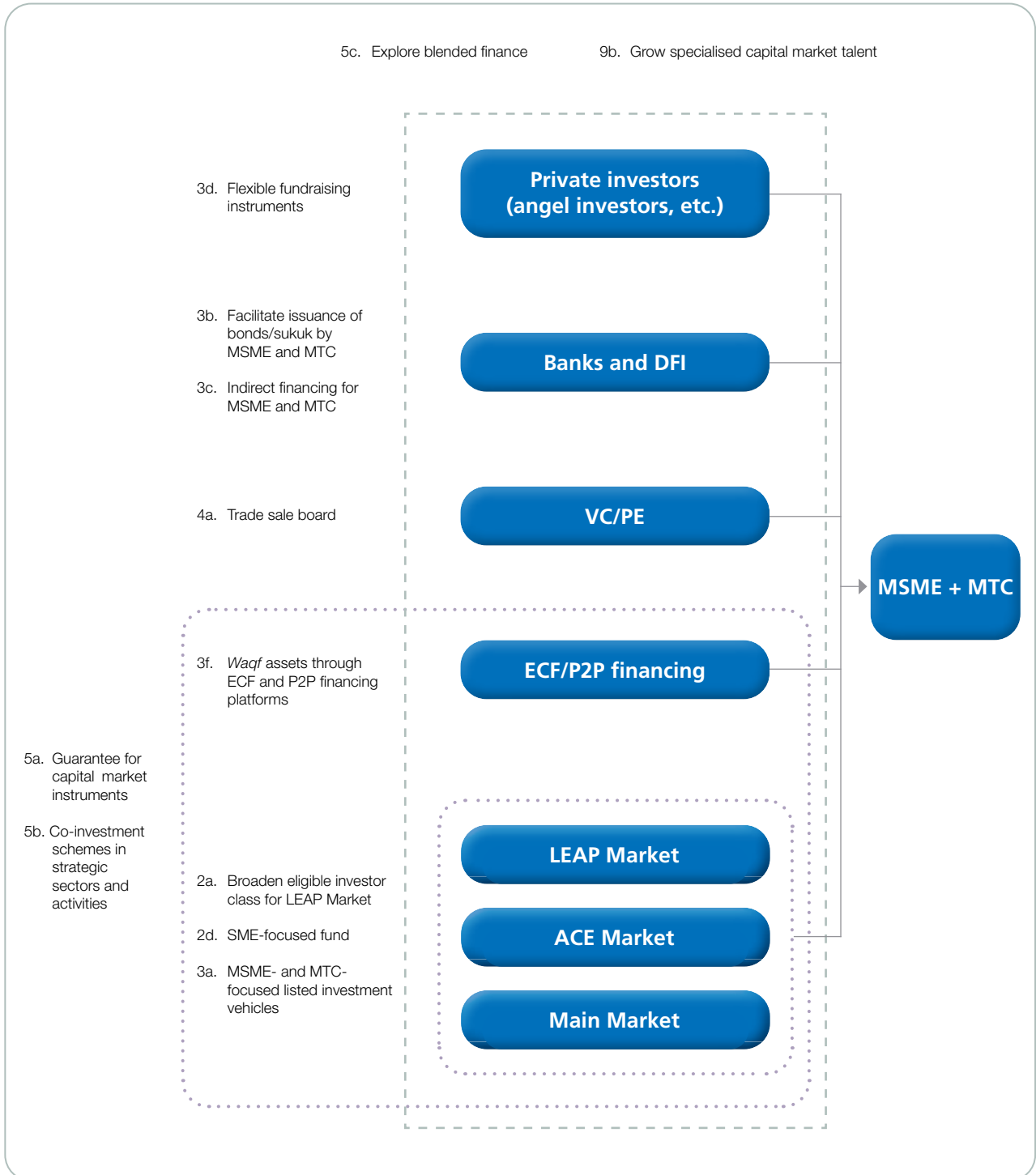
Overall, the 36 initiatives aim to strengthen the MSME and MTC capital market ecosystem, covering crucial elements in the MSME and MTC journey in the capital market, as well as expanding the sources of funding. As custodian of the Roadmap, the SC will work together with capital market intermediaries and Roadmap collaborators to undertake the various initiatives under the Roadmap.

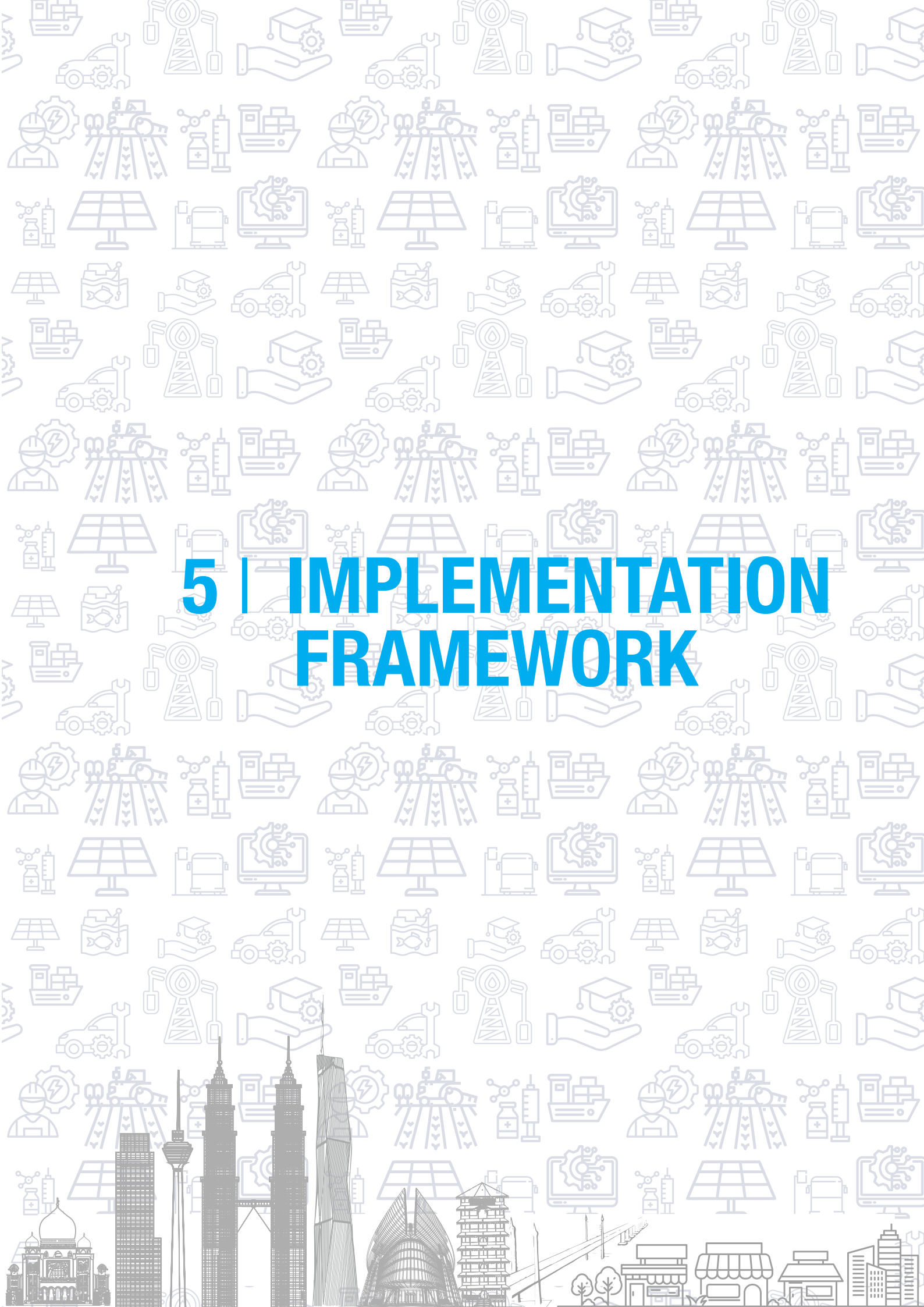
**Figure 4-3**  
Strengthening the ecosystem: Enhancing the MSME and MTC capital market journey





**Figure 4-4**  
Strengthening the ecosystem: Increasing supply of funds for MSME and MTC





# 5 | IMPLEMENTATION FRAMEWORK



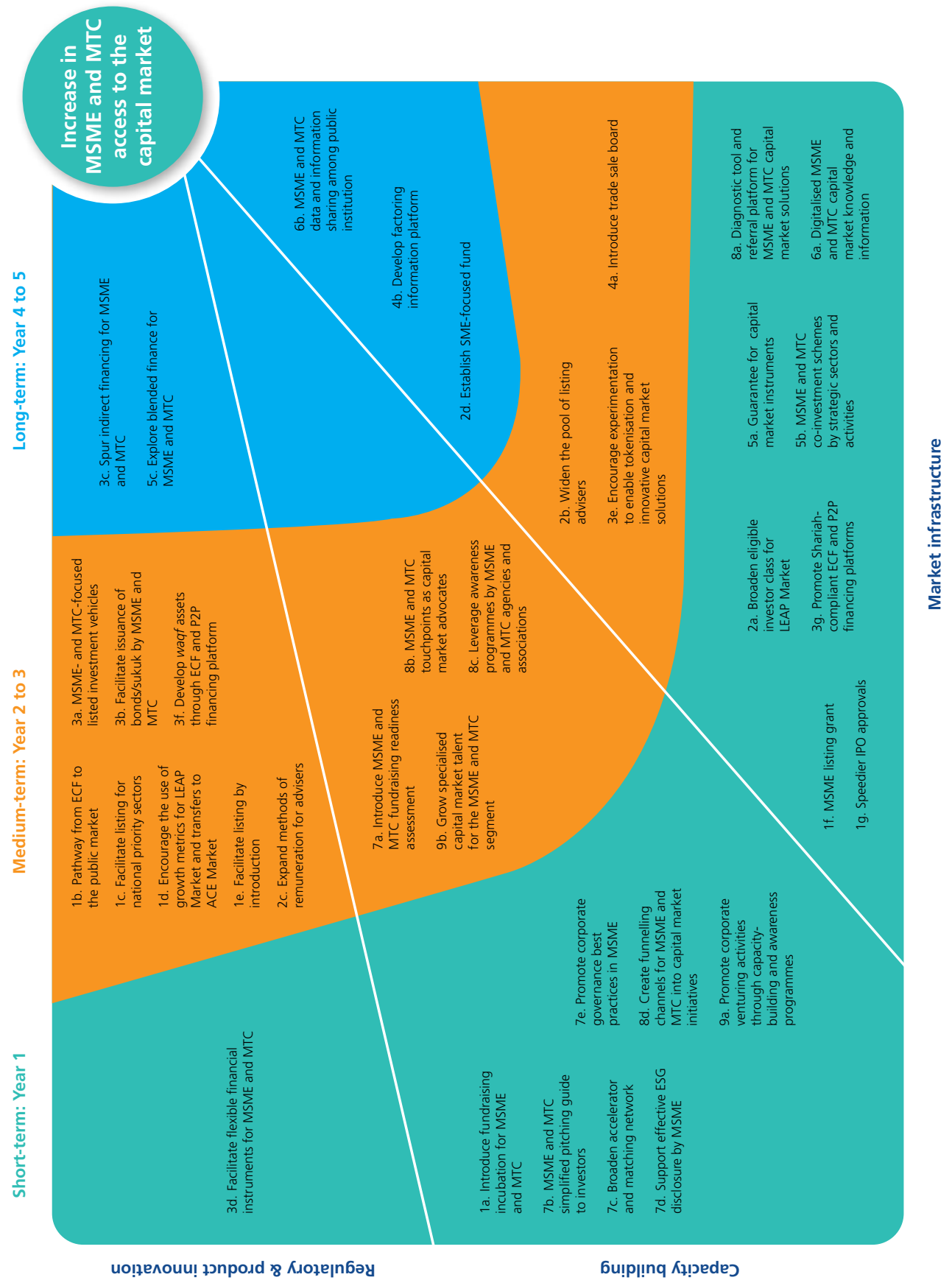
## 5.1 IMPLEMENTATION TIMELINE AND PHASES

The proposed initiatives will be implemented in three phases: short-term, medium-term and long-term. Short-term initiatives are defined as those that will be rolled out in 2024, which is the first year of the Roadmap. Medium-term initiatives will be implemented between 2025 to 2026 and long-term initiatives will be rolled out between 2027 to 2028. There are also existing and ongoing initiatives which can impact the growth of the MSME and MTC capital market.

This phased approach is key in ensuring the effective implementation of these initiatives and help achieve the vision of the Roadmap to better position the capital market as an attractive and robust source of financing for MSME and MTC over the next five years and build a solid foundation for scalable and sustainable MSME and MTC capital market solutions.

The successful implementation of the Roadmap requires a holistic ecosystem approach with greater collaborative efforts and co-ordination among government agencies, ministries, as well as the private sector.

**Figure 5-1**  
Implementation timeline of initiatives



## 5.2 MONITORING MECHANISM

Proper monitoring of implementation progress and outcomes will be required to ensure that the initiatives proposed are on track and are achieving the intended results. Establishing a robust monitoring mechanism will ensure greater accountability and responsibility among implementing entities to achieve the targets of the Roadmap. This also allows for modification and adaptation of initiatives to refocus, improving effectiveness.

For the purpose of this Roadmap, a Delivery Management Office (DMO) will be formed to undertake monitoring and progress reporting including escalating issues for resolution.

## 5.3 CALL TO ACTION

The Roadmap is underpinned by a whole-of-nation approach. Successful implementation and execution of the strategies and initiatives necessitate greater collaboration and co-ordination among government agencies, ministries and the private sector. Collectively working towards the vision and intended outcomes of the Roadmap will accelerate positive changes for MSME and MTC access to the capital market.

In this spirit, the Roadmap continuously seeks opportunities for collaboration for the initiatives outlined. Interested parties may contact the DMO at [\*\*MMRoadmap@seccom.com.my\*\*](mailto:MMRoadmap@seccom.com.my).



# ACKNOWLEDGEMENTS



## ACKNOWLEDGEMENTS

*Catalysing MSME and MTC Access to the Capital Market: 5-Year Roadmap (2024-2028)* is the result of deep engagements with various government ministries and agencies and industry representatives.

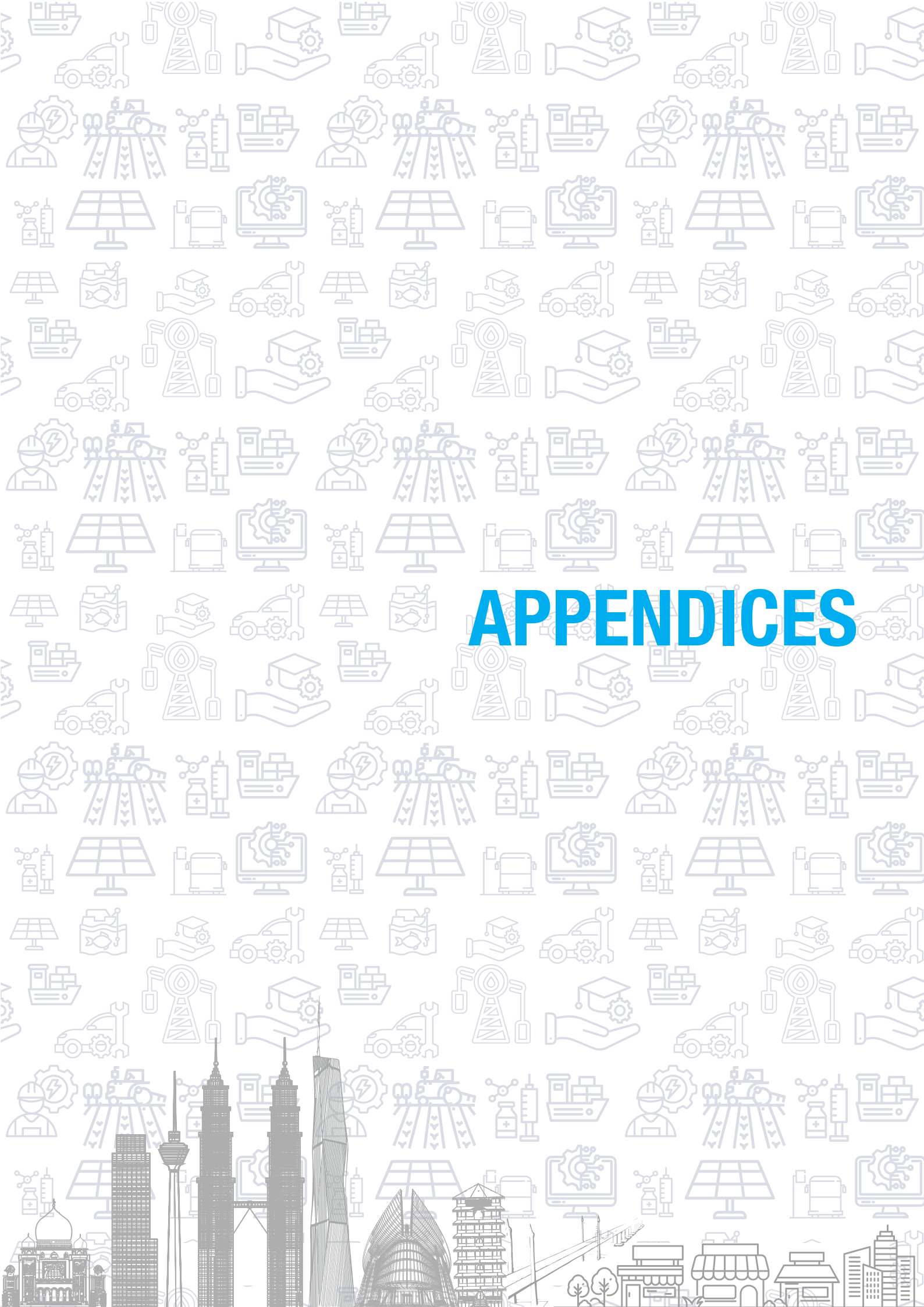
The development of the Roadmap involved the consultation of representatives from over 78 organisations, covering ministries and agencies, self-regulatory organisations, market intermediaries, financial advisers, platform operators, VC and PE fund managers, as well as MSME and MTC owners and their related associations and chambers of commerce.

The SC is grateful for the guidance of the supporting ministries namely, the Ministry of Finance, Ministry of Investment, Trade and Industry, Ministry of Economy and Ministry of Entrepreneur and Cooperatives Development, which are instrumental to the development and implementation of the Roadmap. The SC expresses its sincere appreciation to the World Bank Group Inclusive Growth and Sustainable Finance Hub in Malaysia (World Bank) as the Technical Advisor for the Roadmap, and extends its deepest gratitude to existing key collaborators namely, SME Corp, MATRADE, CGC, CGC Digital and Cradle Fund for their commitment in support of the various initiatives under the Roadmap.

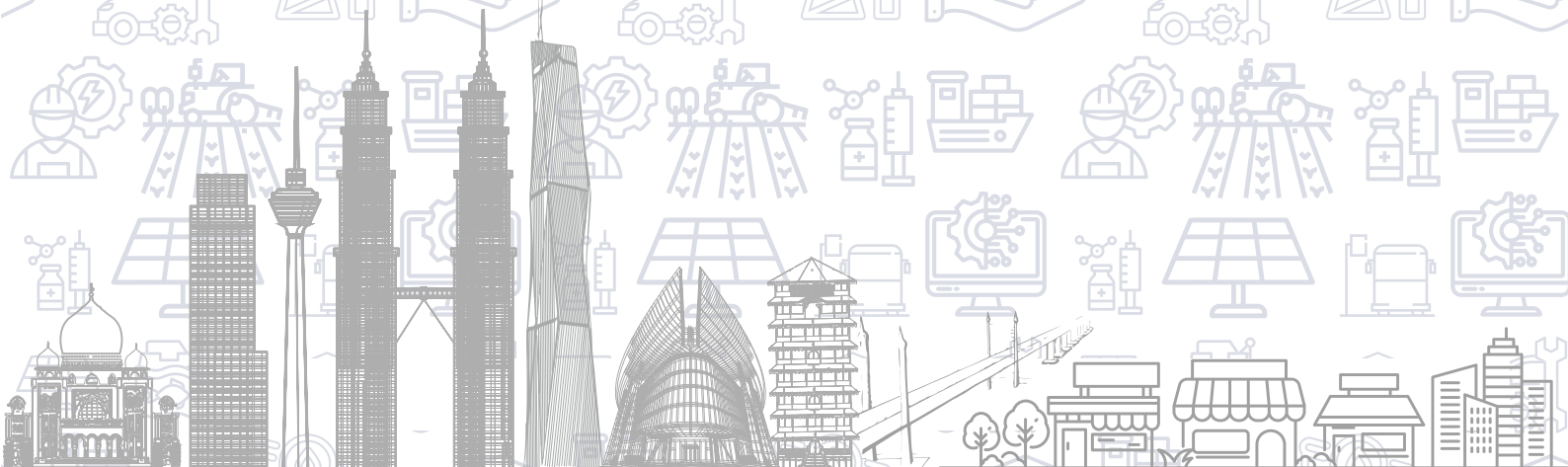
The Roadmap has benefitted from the guidance of the Steering Committee led by the SC Chairman, Dato' Seri Dr. Awang Adek Hussin, alongside Datin Azalina Adham, Salmah Bee Mohd Mydin, Dato' Zain Azhari Mazlan, Dr. Wong Huei Ching, and the rest of Executive Team which are Datuk Kamarudin Hashim, Sharifatul Hanizah Said Ali, Yew Yee Tee, Alex Ooi Thiam Poh, Datuk Seri Abdul Jalil Hamid, Budiman Lutfi Mohamed and Shamsul Bahriah Shamsudin.

The SC would also like to acknowledge the dedication and work of the Project Team consisting of Fung Ru Huey, Ong Toon Yeow, Muhammad Azzam Mohd Yani, Nurul Murfiqah Md Kahar, Brendan Yap Khee Cheok, Nur Husnina Mohamad Yunus and Siti Aishah Ahmad Zaki.

This Roadmap would not have been possible without the collaborative efforts from various SC staff: Meha Kasbun, Noor Azmizi Abdul Malek, Rizal Zaidi Zainudin, Suresh Krishnan, Zaileen Eileena Hashim, Delyana Nordin, Hanis Syairah Suhaimi, Rovilna Mohd Said, Mohamad Nazreen Azhar, Ahmad Zailan Kassim, Aswan Husaini, Liyana Nadhirah Mohd Nazmi, Puteri Shazareen Zul Junaidee, Nur Aina Farhani Mohamad Nassruddin, Amelia Lau Yi Ling, An-Zurie Ayesya Abu Johan, Anil Joshi Hari Chand, Ummi Abdul Rahim, Azman Ahmad, Azreen Idayu Zainal, Azrina Azmel, Muhammad Hakim Abdul Hamid, Ridzham Zaidi Rizlzuwan @ Razuan, Fazlin Hassan Naziri, Sarah Izzati Seeni Mohamed, Mike Woon Wu Jia, Dr. Roselee Shah Shaharudin, Afiq Akmal Mohamad, Thong Fee Shen, Heather Lim How Ying, Amardeep Kaur Inderjit Singh, Akmal Hijazi Abdol Karim, Ch'ng Dao Zhen, Nadia Zainuddin, Lee Chyi, Mohamad Farook Naveer Mohideen, Irene Chua, Irni Jasmina Ibrahim, Nik Siti Sarah Nik Abdul Mubin, Muhammad Razman Abdul Razak, Kaveena Maniam, Lee Hui Min, Amir Zabir Asmadi, Nurul Rafeeza Hamdan, Nurul Neesha Abdul Hazis; as well as SC affiliates, CMM and ICMR.



# APPENDICES





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## ACRONYMS AND ABBREVIATIONS

12MP	<i>Twelfth Malaysia Plan</i>
BAP	Business Accelerator Programme
BEEP	Bumiputera Enterprise Enhancement Programme
CAGR	Compound annual growth rate
CGC	Credit Guarantee Corporation Malaysia
CMM	Capital Markets Malaysia
CMP3	<i>Capital Market Masterplan 3</i>
CMSA	<i>Capital Markets and Services Act 2007</i>
CVC	Corporate venture capital
DFI	Development financial institutions
DMO	Delivery Management Office
ECF	Equity crowdfunding
EMDEs	Emerging markets and developing economies
EPF	Employees Provident Fund
ESG	Environmental, social and governance
FAS	Financial Access Survey
FOF	Fund-of-funds
GDP	Gross domestic product
GISA	Taiwan Go Incubation Board for Startup and Acceleration Firms
GLCs	Government-linked companies
GLICs	Government-linked investment companies
GRI	Global Reporting Initiative
HNWE	High-net-worth entity
HNWI	High-net-worth individual
ICM	Islamic capital market
ICMR	Institute for Capital Market Research Malaysia
IFC	International Finance Corporation
IMF	International Monetary Fund
IPO	Initial public offerings
ISSB	International Sustainability Standards Board

KONEX	Korea New Exchange
KOSDAQ	Korean Securities Dealers Automated Quotations
KRX	Korea Exchange
KWAP	Kumpulan Wang Persaraan (Diperbadankan)
M&A	Merger and acquisition
MAS	Monetary Authority of Singapore
MATRADE	Malaysia External Trade Development Corporation
MCCG	<i>Malaysian Code on Corporate Governance</i>
MECD	Ministry of Entrepreneur and Cooperatives Development
MITI	Ministry of Investment, Trade and Industry
MOF	Ministry of Finance
MOSTI	Ministry of Science, Technology and Innovation
MSME	Micro, small and medium enterprises
MTC	Mid-tier companies
MVCR	<i>Malaysia Venture Capital Roadmap</i>
MyCIF	Malaysia Co-Investment Fund
NAFIN	<i>Nacional Financiera</i>
NEP	<i>National Entrepreneurship Policy 2030</i>
NETR	<i>National Energy Transition Roadmap</i>
NIMP	<i>New Industrial Master Plan 2030</i>
OECD	Organisation for Economic Co-operation and Development
P2P financing	Peer-to-peer financing
PE	Private equity
PwC	PricewaterhouseCoopers Advisory Services Sdn Bhd
R&D	Research and development
RMO	Recognised market operators
Roadmap	<i>Catalysing MSME and MTC Access to the Capital Market: 5-Year Roadmap (2024-2028)</i>
SAFE	Simple Agreement for Future Equity
SC	Securities Commission Malaysia
SDGs	Sustainable Development Goals
SEDG	<i>Simplified ESG Disclosure Guide</i>

SIRCS	State Islamic Religious Councils
SME Corp	SME Corporation Malaysia
SME	Small and medium-sized enterprises
SPAC	Special Purpose Acquisition Company
SRI	Sustainable and responsible investment
Study	Benchmarks, estimation of financing gap and market engagements including one-on-one interviews, series of workshops and deployment of questionnaires during the course of developing the Roadmap
SUPER	<i>Malaysia Startup Ecosystem Roadmap 2021-2030</i>
Toolkit	<i>Shariah Screening Assessment Toolkit for Unlisted MSME</i>
TPEX	Taipei Exchange
UNDP	United Nations Development Programme
UTC	Universal Trusted Credential
VC	Venture capital

