

CHIEF EXECUTIVE OFFICER'S REVIEW OF THE YEAR



ASSALAMUALAIKUM DAN SALAM SEJAHTERA.

I am delighted to present the Annual Report of the Companies Commission of Malaysia (SSM) for the year 2022. This year represents a recovery phase that demands the collective efforts of all stakeholders to channel our energy towards revitalising the country's economy. Our aim is to promote sustainable economic growth, enhance the standard of living for our citizens, and ensure shared prosperity for all.

The year 2022 is also the 20th anniversary of SSM. Over the past two decades, we have achieved significant progress, reached numerous milestones, and recorded remarkable achievements. This journey reflects our commitment to excellence and our dedication to serving the corporate and business community.

We are proud to report significant improvements in our service efficiency, as evidenced by a substantial increase in the registration of new entities. This growth reflects our ongoing commitment to streamline processes, enhance service efficiency, and make our services easily accessible to businesses and the corporate community. Over the course of two decades, SSM has thoroughly modernised its services through digitalisation, integrating platforms like EzBiz Online, MyLLP, MyCoID, the Malaysian Business Reporting System (MBRS), and various internal support systems to ensure efficient service delivery.

Ultimately, these efforts contributed significantly to the overall economic development of our nation. This positive development reflects our resilience and adaptability, especially in the wake of the challenging times brought about by the COVID-19 pandemic.

In 2022, there were significant business entity registrations recorded, as evident in the SSM registration statistics. A total of 320,703 (2021: 384,300) business entities were registered from 1 January to 31 December 2022. Among these, 290,706 (2021: 350,195) were sole proprietorships, and 29,997 (2021: 34,105) were partnerships. During the same period, 3,661 (2021: 3,694) limited liability partnerships were registered and 48,253 (2021: 45,416) companies, including 32 foreign companies, were incorporated. These statistics provide insights into the ongoing business activities and corporate growth within the country.

The overall statistics for business entities registered until 31 December 2022 are as follows:



These numbers reflect the vibrant and dynamic landscape of businesses and corporate entities under the oversight of SSM.

SSM's commitment to enhancing the legal framework for the benefit of the business and corporate community in Malaysia remains unwavering. In 2022, significant efforts were made to advance law reform initiatives. Specifically, the legislative process to table the Companies (Amendment) Bill 2022 and the Limited Liability Partnerships (Amendment) Bill 2022 in Parliament was ongoing. These initiatives aim to create a dynamic legal framework that aligns with the evolving needs and challenges faced by businesses and corporate entities in Malaysia.

The primary focus of these amendments is to enhance the legal framework related to the rehabilitation of business entities. The goal is to make the legal frameworks more comprehensive and aligned with international standards, thereby ensuring that Malaysian business entities remain competitive on a global scale.

Additionally, these amendments aim to strengthen governance provisions by enhancing the beneficial ownership reporting framework. These amendments are essential in preventing the misuse of business entities for illicit activities such as money laundering, terrorism financing, corruption, tax evasion, and other criminal activities. The proposed amendments are crucial in contributing to the safeguarding of the integrity of the business environment. They play a pivotal role in upholding legal and ethical standards, which are essential for creating a transparent, trustworthy, and responsible corporate sector. These proposed amendments demonstrate a commitment to maintaining a business environment that is conducive to fair and ethical business practices while deterring illicit activities.

In a further effort to modernise the corporate sector and align it with the practices of developed countries, SSM will introduce Movable Property Security Interest Bill (MPSI Bill). This legislative initiative will be crafted by benchmarking it against international standards and best practices. Moreover, the development of the Movable Property Security Interest Register System (MPSI Register) is underway to support the implementation of the Bill. These steps signify SSM commitment to enhancing the legal framework and creating a business environment that is conducive to both local and international standards.

SSM is also taking proactive steps to review the Trust Companies Act 1949 (TCA 1949), a piece of legislation that has been in place for many years without significant revisions. This comprehensive review process aims to assess and modernise the framework established by the TCA 1949. As part of this initiative, SSM is considering the development of a new Trust Companies Bill to replace the existing legislation. This effort reflects SSM's commitment to updating and aligning the legal framework with contemporary needs and international standards, ensuring the regulation of trust companies is in line with evolving practices and requirements.

The revision of the Trust Companies Act 1949 (TCA 1949) is driven by several key objectives:

- (a) To provide a clear parameter of trust business or trust related activities with the introduction of a new definition for 'trust business';
- (b) To clarify that only a public company may register as a trust company before the company is allowed

to carry on trust business or trust related activities and it is a mandatory registration;

- (c) To harmonise with the provisions under the modernised Companies Act 2016 which was enforced on 31 January 2017;
- (d) To omit the current reciprocal provisions relating to the trust law in Singapore;
- (e) To introduce a new beneficial ownership reporting framework of legal arrangements including the introduction of a new definition of 'beneficial owner' of a trust business or trust related activities;
- (f) To provide criminal sanctions on directors of a trust company for breaches of certain duties and obligations under the Trust Companies Bill in addition to the sanctions provided in the Companies Act 2016; and
- (g) To provide a legal avenue for trust companies to cease business subject to certain terms and conditions.

Recognising the significant contribution of small businesses to the country's economic growth, SSM has embarked on an initiative to modernise Registration of Businesses Act 1956 (ROBA 1956). The primary objective of this modernisation effort is to create a more conducive and dynamic environment for business development.

The proposed modernisation involves the repeal of ROBA 1956 and the introduction of a new policy framework. This new policy will be designed to align with the latest business trends and developments. The aim is to simplify the registration process and regulatory requirements, particularly for small traders operating as sole proprietorships and conventional partnerships. By doing so, SSM seeks to make it easier for small businesses to thrive in the evolving business landscape.

SSM's commitment to continuous knowledge cultivation and industry engagement is evident through its organisation of the 11th National Conference. Themed 'Corporate Governance and Sustainability. Needed Now More Than Ever.' The conference took

place on 26 to 27 July 2022 and was conducted virtually for the second time since its first in 2011. The conference was inaugurated by YB Dato Sri Alexander Nanta Linggi, Minister of Domestic Trade and Consumer Affairs.

The conference drew significant participation with 2,489 attendees hailing from diverse backgrounds. These participants represented the public and corporate sectors, boards of directors, company secretaries, legal practitioners, entrepreneurs, economists, financiers, academicians and various stakeholders. Furthermore, the event garnered international attention, with foreign delegations from Singapore, the Republic of Kiribati, Malta, Belize, and Slovenia in attendance.

Over the course of two (2) days, the conference featured nine (9) plenary sessions, featuring a total of 37 speakers, panellists, and moderators from various backgrounds and industries. These experts addressed topics related to corporate governance for sustainability, emphasising the importance of long-term benefits and sustainable business growth. The conference served as a platform for valuable insights and discussions that contribute to the advancement of corporate governance practices in Malaysia and beyond.

SSM's commitment to dialogue and engagement with industry stakeholders was evident through the organisation of the 2022 Annual Dialogue, conducted through a webinar session on 6 October 2022. This event marked the second webinar series of the SSM Annual Dialogue following the challenges posed by the COVID-19 pandemic. The dialogue attracted active participation, with 452 representatives from various professional bodies, government agencies, chambers of commerce, and industrial associations across Kuala Lumpur, Selangor, Melaka, Negeri Sembilan and Johor.

The Annual Dialogue serves as a valuable platform for SSM to share and disseminate information regarding the latest policies and regulations. It also provides an opportunity to clarify matters and address issues related to SSM's operations and enforcement activities. This annual initiative contributes to the enhancement of SSM's overall service delivery to the public, aligning with the objective of creating a

dynamic business environment that fosters growth and development.

In 2022, SSM continued its efforts to foster closer collaboration between the organisation and members of professional bodies through the Corporate Practice Consultation Forum (CPCF). CPCF serves as a platform for joint consultation and discussion of corporate practice issues, facilitating constructive dialogue and information exchange.

Within the CPCF framework, there is a dedicated CPCF Main Committee. Additionally, in 2019, a special committee was established known as the CPCF Technical Committee (CPCFTC). The CPCFTC focuses on addressing specific operational and technical issues related to corporate practices. These collaborative initiatives promote transparency, engagement, and effective communication between SSM and the professional community, contributing to the enhancement of corporate governance and practices in Malaysia.

The CPCFTC plays a vital role in addressing various operational and technical issues encountered by companies. Its primary objectives include simplifying and enhancing the business delivery system. In addition to its primary responsibilities, CPCFTC also functions as a platform that actively promotes, encourages, and supports the exchange of views and information among its participants.

This encompasses a wide range of matters and issues related to secretarial and company administration, including research and development within the field. Furthermore, CPCFTC plays a pivotal role in setting and upholding the highest standards and best practices within the profession. It places a particular emphasis on fostering good corporate governance practices, contributing to the continuous improvement and development of the profession in Malaysia.

In 2022, two (2) meetings of the CPCF Technical Committee (CPCFTC) were convened. These meetings took place on 25 April 2022 and 21 December 2022, respectively. The meetings provided a platform for representatives from various professional bodies and organisations to come together for discussions and collaborative efforts. Attendees included representatives from:

- (a) The Malaysia Institute of Chartered Secretaries and Administrators (MAICSA);
- (b) Malaysia Institute of Accountants (MIA);
- (c) The Malaysian Institute of Certified Public Accountants (MICPA);
- (d) The Malaysia Bar;
- (e) Malaysian Association of Company Secretaries (MACS);
- (f) Institute of Approved Company Secretaries (IACS);
- (g) Malaysia Corporate Counsel Association (MCCA);
- (h) The Advocates Association of Sarawak; and
- (i) Sabah Law Society.

These meetings allowed for valuable interaction, knowledge sharing, and collaborative initiatives aimed at addressing operational and technical issues and advancing corporate governance practices within the profession.

On 22 August 2022, a significant milestone was achieved through a strategic collaboration between SSM and the Central Bank of Malaysia (BNM). This collaboration was formalised through the signing of Terms of Collaboration pertaining to the regulation and supervision of Anti-Money Laundering (AML), Countering Financing of Terrorism (CFT), and Targeted Financial Sanctions (TFS).

The Terms of Collaboration establish clear regulatory and supervisory responsibilities for both SSM and BNM concerning company secretaries and trust companies. These entities are regulated by SSM under the Companies Act 2016 and the Trust Companies Act 1949. This collaboration aims to provide a structured and coordinated approach to assessing money laundering and terrorism financing (ML/ TF) risks within these sectors.

Furthermore, the collaboration serves to promote institutional capacity building in the areas of AML, CFT, and TFS. By working together, SSM and BNM contribute to strengthening the financial regulatory framework and enhancing the country's efforts to combat financial crimes effectively.

SSM is actively engaged in conducting sessions to raise awareness within the business community of the significance and advantages of business registration. These efforts aim to promote and encourage businesses to make use of the SSM BizTrust, emphasising the benefits of embracing digital transformation and ensuring trustworthiness in online business operations.

Furthermore, SSM has initiated a collaboration with the Federal Agricultural Marketing Board (FAMA), an agency under the Ministry of Agriculture and Food Industry (MAFI). FAMA provides the Agrobazaar Online platform, an e-commerce platform that serves as a comprehensive online marketplace for entrepreneurs to market agro-food products, including those from the food industry and agro-based sectors.

As a testament to this collaboration, a Memorandum of Understanding (MoU) signing ceremony between SSM and MAFI took place on 29 July 2022. The primary objective of this MoU is to create opportunities, expand market reach, and promote the services offered by both organisations. SSM envisions that this partnership will contribute to enhancing and nurturing a sustainable business environment, empowering entrepreneurs to grow and enhance their agro-food businesses in alignment with the evolving domestic economic landscape.

In alignment with the government's commitment to alleviating the challenges faced by the corporate community due to the COVID-19 pandemic and supporting the nation's economic recovery in 2022, the MDTCA, in collaboration with SSM, has introduced one (1) new initiative and extended five (5) previously introduced initiatives from 2021, with several enhancements. These initiatives collectively aim to contribute to the nation's economic recovery and align with the broader government efforts in this regard.

SSM's initiatives to alleviate the burden on the corporate and business sectors in 2022 encompass a range of measures and actions aimed at supporting economic recovery as follows:

- (a) One of the initiatives introduced in 2022 involves a significant reduction in the value of compounds for offences under the Companies Act 1965. This initiative allows for a reduction of up to 90% from the original value of the compound. It was implemented between 1 March and 31 December 2022. During this period, the initiative benefitted a substantial number of individuals and entities, including 4,926 directors, 6,017 companies, and 17,624 notices. The primary objective of this initiative is to alleviate the burden on corporate communities, enabling them to continue their business operations amid the challenging economic environment during the national economic recovery phase. By offering reduced compounds, this initiative provides much-needed support to businesses, fostering resilience and recovery.
- (b) The *Skim Pendaftaran Perniagaan Prihatin* (SPPP) initiative to offer free business registration for entrepreneurs in the B40 group and full-time students of higher learning institutions was continued in 2022. This initiative was in effect from 1 January to 31 December 2022. During this period, a total of 24,547 free business registrations were provided to B40 entrepreneurs and full-time students of higher learning institutions. This initiative plays a crucial role in facilitating the entry of individuals from the B40 group and students into the business world by removing the financial barrier associated with business registration fees, thereby fostering economic opportunities and growth.
- (c) The *Skim 1 OKU 1 Perniagaan* (S1O1P) initiative, which provides free business registration and business renewal registration to people with disabilities for one business, continued in 2022. During the period from 1 January to 31 December 2022, a total of 1,460 registrations for new businesses were recorded under S1O1P. Additionally, 2,889 business renewal registrations were recorded during the same period. This initiative serves as a valuable means of support for individuals with disabilities, allowing them to legally engage in business activities and fostering inclusivity and economic empowerment within this community.

- (d) The extension of the free SSM BizTrust registration period until 31 December 2022, resulted in a significant number of business entities taking advantage of this opportunity. From 1 January to 31 December 2022, a total of 1,071,701 business entities were registered with SSM BizTrust. As of 31 December 2022, the total number of SSM BizTrust registrations reached 1,690,302 business entities. This initiative reflects the importance of cybersecurity and digital trust in the modern business landscape, with a substantial number of businesses recognising the value of SSM BizTrust for enhancing their online security and credibility.
- (e) The proposed amendments to the Companies Act 2016 relating to the Corporate Rescue Mechanism and Scheme of Compromise or Arrangement aim to strengthen and improve the existing legal framework to provide more comprehensive support for companies facing financial difficulties; and
- (f) Introducing provisions related to the Corporate Rescue Mechanism under the Limited Liability Partnerships Act 2012 as a significant step in enhancing the legal framework for corporate rescue and insolvency for limited liability partnerships (LLPs).

Promoting continuous compliance and the timely submission of Annual Returns and Financial Statements is crucial for maintaining transparency and accountability in the corporate sector. It's indeed commendable that SSM has achieved a good compliance rate of 93% in 2022, demonstrating the effectiveness of our balanced enforcement approach. The achievement of a high compliance rate is a positive indication, and it's hoped that this achievement will lead to even higher compliance rate in the future.

SSM, through the Information and Communications Technology Division, has proactively developed the ICT Strategic Plan (ICTSP) for the period 2022 to 2026. This strategic plan has been strategically designed to

align with the management's and the government's aspirations to accelerate digital transformation. The overarching theme of the ICTDSP is "Accelerating SSM's Digital Transformation."

The rapidly evolving technological landscape presents ongoing challenges, and SSM recognises the importance of staying current and relevant. To achieve this, SSM is committed to embracing new knowledge and technology to ensure its sustainability. The ICTSP prioritises key initiatives in implementing SSM's business strategy, making information and communications technology the driving force behind SSM's overall strategy.

In essence, this strategic plan underscores SSM's dedication to leveraging ICT as a central enabler for achieving its goals and contributing to Malaysia's digital transformation journey.

Finally, I would like to express my appreciation and gratitude to the Honourable Minister, Chairman, and Members of the Commission for their valuable guidance, encouragement, and continued contributions throughout the year 2022. My sincere gratitude extends to every SSM employee for their dedication and hard work, collaborating as a team to deliver the best services and support to the corporate and business sectors.

As SSM celebrates its 20th anniversary, we acknowledge that there are numerous challenges on the horizon that we must collectively overcome as a united team in SSM. Through our ongoing efforts, collaboration, and unwavering commitment from every level of the SSM team, we will persist in our contributions to the recovery and prosperity of our nation. Insha-Allah.

Thank you.

YBHG. DATUK NOR AZIMAH ABDUL AZIZ

Chief Executive Officer
Companies Commission of Malaysia