

CHIEF EXECUTIVE OFFICER'S REVIEW OF THE YEAR



**Assalamualaikum
Warahmatullahi Wabarakatuh,
Salam Malaysia MADANI,**

I am pleased to present the 2023 Annual Report of the Companies Commission of Malaysia (SSM). This year represents a significant period for SSM as we strive to fulfil our vital role as both a facilitator and regulator of businesses in Malaysia. Despite the numerous challenges arising from the dynamic global economy and the swiftly changing business landscape, SSM remains unwavering in our commitment to support the nation's economic recovery and growth.

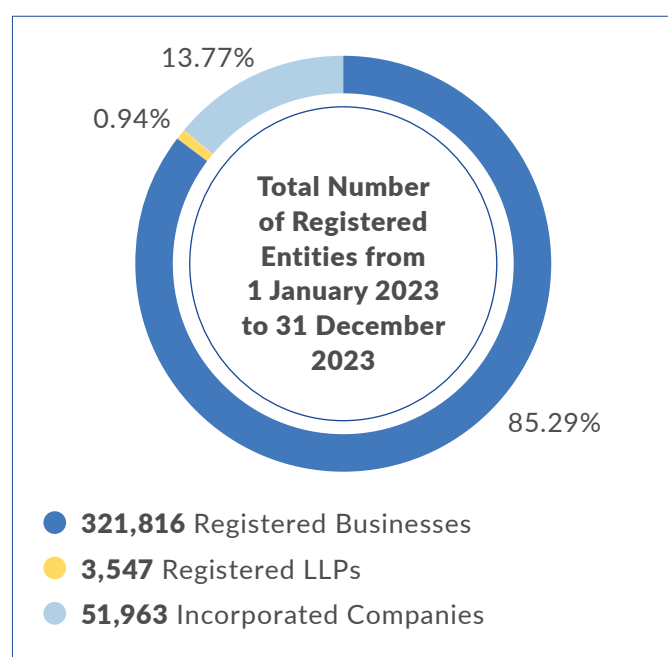
In 2023, SSM played a crucial role in spearheading Malaysia's post-pandemic recovery through a variety of initiatives and programmes. This Annual Report underscores our continuous efforts to cultivate a more favourable business environment, promote growth in the corporate sector, strengthen corporate compliance, safeguard stakeholder interests and enhance investor confidence in the Malaysian economy. The report will highlight key achievements, strategic initiatives, collaborative endeavours, the digital transformation of our services, the challenges we encountered and our innovative responses over the year, while also outlining SSM's vision for the future.

The business landscape in Malaysia is undergoing a significant transformation, driven by SSM's introduction of innovative digital products and services. Initiatives such as the EzBiz Online platform, MyLLP, MyCoID and the Malaysian Business Reporting System (MBRS) have streamlined business registration and corporate management processes. Nearly all SSM's services have been digitally transformed, backed by a modern legal framework that promotes efficiency and user-friendliness. This digitisation not only simplifies business operations but also plays a vital role in the nation's economic recovery in the wake of post COVID-19 pandemic.

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By enhancing Malaysia's global competitiveness, a solid foundation is laid for sustainable long-term economic growth.

The transformation initiated by SSM has also led to a notable increase in business entity registrations across Malaysia. In 2023, SSM registered a total of 321,816 businesses (up from 320,703 in 2022), comprising 291,362 sole proprietorships (up from 290,706) and 30,454 partnerships (up from 29,997). Additionally, 3,547 limited liability partnerships (down from 3,661) were registered and 51,963 companies (up from 48,253), including 35 foreign companies were incorporated during the same period.



As of 31 December 2023, the total number of business entity registrations stands at:



9,124,174

Businesses



37,460

Limited Liability Partnerships



1,534,545

Companies

SSM is committed in advancing legal reform initiatives to create a dynamic legal framework that addresses the evolving needs of Malaysia's business community and corporate sector. In 2023, we have made significant strides in the legislative processes for the approval of the Companies (Amendment) Bill and the Limited Liability Partnerships (Amendment) Bill. One of SSM's notable achievements this year is the successful passage of the Companies (Amendment) Bill 2023, which received approval in the Dewan Rakyat on 28 November 2023 and in the Dewan Negara on 13 December 2023. These amendments are scheduled to take effect in the first quarter of 2024 and are designed to strengthen the corporate rehabilitation framework while improving transparency within Malaysia's corporate ecosystem. Through mechanisms such as the Corporate Voluntary Arrangement (CVA) and Judicial Management (JM), these changes will support financially distressed companies, allowing them to continue operations. Additionally, the amendments streamline the beneficial ownership reporting framework, aligning with international standards to combat money laundering, terrorism financing, corruption and tax evasion. This initiative is part of Malaysia's broader efforts, which will be evaluated by the Financial Action Task Force (FATF) in 2024.

Additionally, SSM has put forward proposed amendments to the Limited Liability Partnerships Act 2012, with the primary focus on enhancing rehabilitation mechanisms for Limited Liability Partnerships (LLP) entities. These amendments also aim to strengthen the beneficial ownership reporting framework, fostering greater transparency in ownership structures. Through these reforms, SSM seeks to positively impact the corporate environment by ensuring that financially distressed, yet viable LLPs receive the necessary support to sustain their operations, especially in the wake of recovery from COVID-19 pandemic. The policies concerning the Limited Liability Partnerships (Amendment) Bill were presented to and endorsed by the Cabinet on 12 April 2023.

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In 2023, SSM also released the Guidelines on the Obligations of Company Secretaries as Reporting Institutions under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA 2001). These guidelines are designed to assist company secretaries in understanding their obligations under AMLA and ensuring compliance with legal requirements when reporting suspicious activities. The guidelines were developed in accordance with the requirements outlined in Bank Negara Malaysia's 'Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Designated Non-Financial Businesses and Professions (DNFBPs) & Non-Bank Financial Institutions (NBFIs) policy document, commonly referred to as the BNM Policy Document.

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During the year, SSM released two (2) digital guidebooks: 'The Responsibilities of Company Directors' and 'The Code of Ethics for Company Directors and Company Secretaries'. These publications serve to update existing guidelines on the responsibilities of company directors and the ethical standards expected of directors and secretaries, ensuring alignment with current corporate governance requirements and new regulations that govern business entity management.

In support of these initiatives and the ongoing pursuit of policy and regulatory reform, SSM organised its 12th National Conference on the theme 'Shared Responsibility in Strengthening AML/ CFT Compliance: Risks, Challenges and Collaborations,' held virtually from 25 to 26 July 2023. This marked the third consecutive year of virtual hosting since the conference's inception in 2011 and it was officiated by

YBrs. Tuan Ahmad Sabki Yusof, Chairman of SSM. A total of 3,019 participants from a diverse array of backgrounds attended the conference, including representatives from both public and corporate sectors. Attendees included board directors, company secretaries, legal practitioners, entrepreneurs, economists, financial experts, academics and various other stakeholders. Additionally, the conference welcomed international delegates from corporate registries in Singapore, Papua New Guinea, Hong Kong and Australia.

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The two-day event featured 11 plenary sessions with 47 speakers, panellists and moderators from a diverse range of industries and sectors, including regulatory and law enforcement agencies. The SSM National Conference 2023 tackled critical issues, offering valuable insights, opinions and experiences regarding regulatory directions and advancements in anti-money laundering and counter-terrorism financing. This conference marked a historic milestone for SSM, achieving the highest participation rate ever recorded in its history.

As the regulatory authority overseeing companies and businesses in Malaysia, SSM plays a crucial role in ensuring compliance with the laws and regulations under its purview, including those pertaining to sustainability and climate change. In a landmark initiative, SSM, in partnership with Climate Governance Malaysia, organised the National Climate Governance Summit (NCGS) for the first time, which took place from 5 to 7 September 2023, in Kuala Lumpur. The event was officiated by the Regent of Pahang, Tengku Mahkota Tengku Hassanal Ibrahim Alam Shah and attended by over 100 distinguished guests, including ministers, public servants, academics, engineers, contractors, consultants, conservationists, bureaucrats, politicians and industry association representatives who actively participated in the conference discussions.

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The conference served as a valuable platform for SMEs to enhance their understanding on climate change and best practices for building competitive businesses. This aligns with SSM's mission to ensure that Malaysian businesses operate with integrity and contribute to global efforts to combat climate change. To foster practical engagement, 18 workshops were conducted during the two-day summit, addressing crucial topics such as workers' rights, carbon footprint assessment, renewable energy implementation and water conservation. NCGS 2023 prioritised sustainability, with nearly 1,000 participants using the Summit app, enabling organisers to substantially minimise the use of printed materials and progress towards a 'Zero Waste' goal.

In providing a forum to clarify issues related to SSM's policies, service delivery, operation and enforcement activities, SSM hosted three (3) Annual Dialogue sessions in 2023: the first in Kuching, Sarawak, on 23 November 2023; the second in Kota Kinabalu, Sabah, on 24 November 2023; and the third a webinar on 5 December 2023. These sessions drew a total of 1,113 participants, including company directors, company secretaries, representatives from professional organisations, government agencies, business chambers, associations and local authorities from across Malaysia, including Sabah and Sarawak.

The Annual Dialogue serves as a vital platform for SSM to share and disseminate updates regarding the latest policies and regulations to industry stakeholders, government agencies and professional bodies. This annual initiative plays a crucial role in enhancing SSM's service delivery to the public, aligning with the need to foster a dynamic business environment for Malaysia.

In October 2023, SSM garnered international recognition through its involvement in the Asia Pacific Economic Cooperation (APEC) Workshop on Secured Transaction Reform: Developing Tailored Approaches for Common Law and Civil Law Jurisdictions, held in Tokyo, Japan. This engagement provided SSM the opportunity to engage in discussions on secured transaction law reform with APEC member countries, highlighting Malaysia's expertise in crafting a more robust legal framework. Organised by APEC under the Economic Committee, the workshop underscored the

necessity of modernising legal frameworks governing secured transactions to enhance access to credit, thereby making financial resources more inclusive and accessible.

Discussions encompassed international best practices, including those articulated in the UNCITRAL Model Law on Secured Transactions and the UNIDROIT Model Law on Factoring, with a focus on their relevance to both common law and civil law jurisdictions. SSM was privileged to act as a moderator for the first session and as a speaker for the second, where it presented the upcoming Movable Property Secured Interest (MPSI) Bill set to be introduced in Malaysia. Participants included representatives from various APEC economies—such as Hong Kong, Mexico, Brunei, China, Vietnam, Indonesia, Singapore, the Philippines, Japan, Canada and the United States—as well as esteemed organisations like UNCITRAL, The Hague Conference, the Asian Development Bank, the World Bank and UNIDROIT.

Throughout 2023, SSM had a productive year focused on fortifying its regulatory framework and enhancing its strategic role in upholding the integrity of the corporate sector. The Commission intensified its collaboration with both international and local enforcement agencies to ensure adherence to standards and laws concerning anti-money laundering and counter-terrorism financing. SSM took an active role in initiatives led by the Financial Action Task Force (FATF) and the National Coordination Committee to Counter Money Laundering (NCC) during the year, culminating in FATF's Working Groups and Plenary Meetings held in Paris.

SSM's engagement aligns with its role in providing input on FATF's Recommendation 24, which addresses beneficial ownership of legal entities and Recommendation 25, which pertains to beneficial ownership of legal arrangements. SSM's participation in these meetings is essential, as the proposed policies will directly influence the legal frameworks it administers, particularly the Companies Act 2016 (CA 2016), the Limited Liability Partnerships Act 2012 (LLPA 2012) and the Trust Companies Act 1949 (TCA 1949).

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As part of its commitment in advancing the national digitalisation agenda, SSM played a significant role in the National eCommerce Strategic Roadmap 2.0, aimed at enhancing digitalisation among micro, small and medium enterprises (MSMEs) through e-commerce and innovative technologies. Collaborating closely with the Ministry of Domestic Trade and Cost of Living (KPDN) under the initiative titled 'Improve Promotional Efforts for Existing Online Business Verification Programmes', SSM was tasked with registering online business entities using the SSM BizTrust QR code based on two (2) selected MSIC codes: 47912 and 47914. Through the implementation of the SSM BizTrust QR code, SSM supported the registration of over 111,000 online business entities throughout 2023.



SSM launched the SSM BizStart 2023 Programme, a strategic initiative aimed at empowering both current and aspiring entrepreneurs through partnerships with a diverse range of stakeholders. This programme offered participants in-depth insights into crucial aspects of business operations, such as business registration, planning, platform selection, facility management and financial oversight. Key industry partners, including INSKEN, PERNAS, FAMA, AIM and BSN, collaborated with SSM to bring this initiative to fruition. Additionally, the programme sought to motivate university students and individuals from the B40 group to view entrepreneurship as a viable career option. In 2023, SSM successfully conducted seven (7) sessions, both in-person and online, engaging a total of 1,457 participants.



SSM further enhanced its collaborations with various domestic and international enforcement agencies to bolster investigative capabilities. A significant achievement was the execution of Ops Tropicana, an integrated operation in partnership with the Immigration Department of Malaysia, the National Anti-Drugs Agency (AADK) and Cyber Security Malaysia. This coordinated effort successfully dismantled an international investment fraud syndicate that primarily targeted foreign nationals, highlighting the importance of collaborative approaches in addressing cross-border criminal activities. SSM also worked closely with the Payment Services Oversight Department of Bank Negara Malaysia to tackle offences involving electronic money (e-money) transactions, demonstrating its adaptability to rapid advancements in financial technology and its commitment to confronting increasingly complex financial crimes.

Under the auspices of KPDN, SSM launched three (3) new initiatives as part of an ongoing effort that builds upon six (6) initiatives introduced in 2022, all aimed at alleviating the financial burden on the corporate sector and businesses in Malaysia. These initiatives were strategically designed to align with the government's efforts to revitalise the national economy following the adverse effects of the global pandemic. The goals of these initiatives include reducing financial strain and assessing their impact on the corporate and business sectors, as outlined below:

- (a) A 90% reduction in compounds for companies that attained 'Dissolved' status under the Companies Act 1965 (CA 1965) and Companies Act 2016 (CA 2016), effective from 11 January 2023 to 31 December 2023. This initiative benefitted 1,211 companies under CA 1965, involving 2,869 compound notices, while over 3,614 companies under CA 2016, involving 5,886 compound notices, also reaped benefits.

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(b) A 90% compound reduction incentive for common offences under the CA 2016, specifically for sections 68(1), 248(1), 258(1), 259(1), 340(1), 30(1) and 30(2), running from 11 January 2023 to 31 December 2023. Companies complying with these offences received reductions, with a total of 16,093 companies benefiting, covering 21,396 compound notices.

(c) A 90% compound reduction for all offences under CA 1965 from 11 January 2023 to 31 December 2023. This initiative benefitted over 5,724 companies involving 16,534 compound notices for common offences.

(d) An extension of the free registration period for SSM BizTrust until 31 December 2023. The SSM BizTrust QR Code usage has also been expanded to include registered LLPs. From 1 January to 31 December 2023, a total of 1,038,901 SSM BizTrust registrations were recorded.

(e) Continuation of the *Skim Pendaftaran Perniagaan Percuma* (SPPP), which offers free new business registrations to entrepreneurs from the B40 group and full-time higher education students. In 2023, the SPPP criteria expanded to include spouses of entrepreneurs from the B40 group, promoting entrepreneurship as an additional income source amid economic challenges. From 1 January 2023 to 31 December 2023, a total of 43,707 free business registrations were utilised by B40 entrepreneurs and full-time students.

(f) Continuation of the *Skim 1 OKU 1 Perniagaan* (S1O1P), providing free business registration and renewal for persons with disabilities for one (1) business. During the period from 1 January 2023 to 31 December 2023, 1,719 new business registrations were recorded under S1O1P, along with 3,100 renewal registrations.

(g) Ongoing efforts to propose amendments to enhance provisions under the CA 2016, specifically related to the Corporate Rescue Mechanism and the Scheme of Compromise or Arrangement.

(h) Continuation of proposals to introduce provisions related to the Corporate Rescue Mechanism under the Limited Liability Partnerships Act 2012 (LLPA 2012).

(i) A 90% reduction in compounds for offences under sections 68(2) and 68(3) of the LLPA 2012, effective from 3 July 2023 to 31 December 2023. This reduction was granted to LLPs that have addressed the violations. During this period, a total of 1,698 LLPs, involving 4,456 compound notices, benefited from this initiative.

In 2023, SSM is also active in supporting the corporate and business sectors in their recovery from the COVID-19 pandemic through a variety of strategic initiatives. At the same time, SSM highlighted the crucial importance of compliance with the submission of Annual Returns and Financial Statements. This comprehensive and balanced enforcement approach led to an impressive compliance rate of 93%, matching that of 2022. This achievement underscores SSM's steadfast commitment to upholding high compliance standards, a commitment that will continue to enhance the integrity of Malaysia's corporate landscape.

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In April 2023, SSM achieved another notable milestone with the launch of SSM4U portal version two. This upgrade not only improved the user experience but also introduced advanced security features aimed at strengthening SSM's essential systems, including EzBiz, MyCoID, MBRS, MyLLP and DCTC. The SSM4U portal has now become the centralised access point for all SSM service systems, streamlining business transactions and significantly enhancing operational efficiency. Additionally, in alignment with its commitment to internal development, SSM has created several key support systems in-house, including XCess KJAKP, the Electronic Beneficial Ownership System (EBOS) and e-Comtrac for the SSM Training Academy. These initiatives further bolster the organisation's digital infrastructure and operational capabilities.

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I would like to express my heartfelt gratitude to the Honourable Minister, the Chairman and the Members of the Commission for their invaluable guidance, steadfast support and contributions throughout 2023. I also extend my sincere appreciation to all SSM team members for their hard work and dedication, which have been crucial in achieving numerous successes and establishing a strong foundation for the future.

I wish to also convey my deepest gratitude to the former Honourable Minister, the late YB Datuk Seri Salahudin Ayub, whose invaluable guidance and unwavering support greatly contributed to our efforts during his duration in KPDN. His visionary leadership and deep commitment to the corporate sector have left an indelible mark on our initiatives, inspiring us to strive for excellence and innovation in everything we do.

As we move forward, SSM will remain steadfast in our commitment to enhance our services and foster innovative initiatives in upholding the highest standards of compliance with corporate laws. With a spirit of collaboration and unwavering dedication, I am confident that SSM will continue to be a catalyst for greater transparency and resilience in both economic growth and corporate development in Malaysia. By prioritising effective communication and engagement with our stakeholders, we aim to navigate the evolving landscape of business regulation and support the aspirations of the corporate sector. Together, we will build a more robust and sustainable future for all. In Sya Allah.

YBHG. DATUK NOR AZIMAH ABDUL AZIZ

Chief Executive Officer
Companies Commission of Malaysia