



MANAGEMENT REPORT
REGULATORY
REFORM INITIATIVES



■ COMPANIES (AMENDMENT) ACT 2024

The CA 2016 was amended via the Companies (Amendment) Act 2024 [Act A1701] to support economic growth and enhance transparency in Malaysia's corporate ecosystem. These amendments improve the existing legal framework, particularly in corporate rescue mechanisms, BO reporting and corporate governance.

The Companies (Amendment) Bill 2023 was passed in Parliament in 2023 and received Royal Assent on 24 January 2024. The amendments are being enforced in phases to ensure the necessary subsidiary legislation is updated and related systems are developed and enhanced.

The phases and provisions involved are as follows:

- (a) Phase One
 - (i) Effective from 1 April 2024.
 - (ii) Enforcement of all sections except sections 4, 14, 26 and 28 of the Act A1701.
- (b) Phase Two
 - (i) Effective from 30 November 2024.
 - (ii) Enforcement of sections 4, 26 and 28 of the Act A1701.
- (c) Phase Three
 - (i) Scheduled to take effect in January 2025.
 - (ii) Enforcement of section 14 of the Act A1701.

Further details on the sections that have been enforced and those pending enforcement are as follows:

SECTION ACT A1701	DESCRIPTION
Section 4	Amendment to section 68 of the CA 2016 to require companies to submit details of their BO to the Registrar in their AR.
Section 14	Amendment to section 395 of the CA 2016 to expand the application of CVA to all companies, including those with charges.
Section 26	Amendment to section 576(2) of the CA 2016 concerning the submission of details of the BO of foreign companies to the Registrar in their AR.
Section 28	Introduction of new section 612A of the CA 2016 to provide for SSM's website as an alternative platform for publishing information typically advertised in newspapers.

■ LIMITED LIABILITY PARTNERSHIPS (AMENDMENT) ACT 2024

In alignment with the amendments made to the CA 2016 through Act A1701, corresponding amendments have also been introduced to the LLPA 2012 via the Limited Liability Partnerships (Amendment) Act 2024 [Act A1728]. The Limited Liability Partnerships (Amendment) Bill 2024 was tabled for its first reading in the House of Representatives on 19 March 2024.

- (a) Presentation at the Special Select Committee Meeting in June 2024.
- (b) Briefing sessions for Members of the House of Representatives and Senate in July 2024.

Objective of The Amendments

To facilitate the Bill's presentation and approval in Parliament, several key activities were conducted, including:

The objectives of the amendments to the LLPA 2012 are as follows:

Support Economic Growth and Nation Well-Being

- (a) Assisting in the recovery of LLPs facing financial difficulties, enabling them to regain competitiveness through the introduction of corporate rescue mechanisms and rehabilitation programmes.
- (b) Ensuring that LLPs continue operations and generate income in the post-COVID-19 economic landscape.
- (c) Overall, supporting efforts to reduce the unemployment rate in Malaysia by ensuring business continuity.

Support Transparency in Corporate Governance

- (a) Enhancing transparency through the introduction of a BO reporting framework.
- (b) Supporting law enforcement efforts in combating money laundering, terrorism financing, corruption and other serious crimes.
- (c) Strengthening Malaysia's position in international assessments by the FATF and the Organisation for Economic Co-operation and Development (OECD) during the 2024–2025 evaluation period.

Policy Amendments

LLP Bill comprises of 13 clauses relating to three (3) policies which are:

- (a) Policy 1: Introduction of the LLP BO reporting framework
These policies are the same as those introduced in CA 2016 through the Act A1701. It proposes amendments to address legislative gaps to align with international best practices and standards as recommended by international bodies such as FATF and OECD. Proposed amendments to address legislative gaps related to BO are as follows:
 - (i) Provide a definition of BO from the perspective of ownership of capital contributions or control over management of the LLP;
 - (ii) Mandate LLP to maintain a register of BO, including requirements for updating this register;
 - (iii) Clarify the obligation to report BO to the

Registrar through annual declaration by LLP and updating BO information in case of changes;

- (iv) Clarify the obligation of any person to disclose to LLP if they are a BO of that LLP; and
 - (v) Authorise the Minister of PDN to determine classes of LLP that do not need to report under Act 743 due to being subject to similar legislation and individuals who may be granted access to BO information.
- (b) Policy 2: Introduction to LLP corporate rescue mechanisms framework
 - (i) The introduction of this policy is an adaptation of the corporate rescue mechanism framework under the CA 2016, including enhancements approved under the Act A1701;
 - (ii) As a corporation that has a separate legal entity, LLP is fully responsible for its business debts and liabilities and should also be provided with a comprehensive corporate rescue mechanism to enable a viable LLP to continue its business operations;
 - (iii) This initiative will have positive and comprehensive legal implications to ensure that business entities such as LLP are adequately provided with space to continue operating, especially in the post-COVID-19 period; and
 - (iv) Therefore, winding up proceedings will only be considered as a last resort after the LLP has taken other actions to save its business, including through CVA or JM.
 - (c) Policy 3: Updating and strengthening procedure to support implementation of sustainable LLP Governance
New policies will be introduced continuously to reflect current corporate community needs for greater efficiency and better governance practices. Among the important amendments are as follows:
 - (i) Introducing a provision to establish a new policy where the SSM's official website is used to advertise/ publish information and notices as an alternative to the legislative requirement, addressing practical issues where physical newspaper circulation is no longer widespread throughout Malaysia and potentially reducing

- high advertising costs;
- (ii) Introducing new provisions into Act 743 to provide compliance period for any action or document submission where such period is not prescribed in Act 743; and
- (iii) Aligning the methods of delivery of notice to the LLP or LLP partners with other Acts regulated by SSM.

The LLP Bill was passed in Parliament on 31 July 2024 and received Royal Assent on 9 October 2024. The Royal Assent Gazette was published on 17 October 2024.

The Limited Liability Partnerships (Amendment) Act 2024 will be enforced in phases as follows:

- (a) Phase One: Enforcement of provisions related to BO reporting expected to be enforced in January 2025.
- (b) Phase Two: Enforcement of provisions related to advertising on the SSM website expected to be enforced in the first quarter of 2025.
- (c) Phase Three: Enforcement of provisions related to corporate rescue mechanisms (JM and CVA) expected to be enforced in the fourth quarter of 2025.

The phased enforcement approach ensures that all parties can adapt to the changes introduced and provides time for the development and enhancement of related systems.

■ GUIDELINES FOR THE REPORTING FRAMEWORK FOR BENEFICIAL OWNERSHIP OF COMPANIES

In 2020, SSM introduced the Guidelines on the Beneficial Ownership (BO) Reporting Framework for Companies to provide comprehensive guidance on BO reporting requirements for corporate entities under its regulation. This initiative aligns with the recommendations of the FATF and is aimed at preventing the misuse of legal entities in Malaysia for illicit activities such as money laundering and terrorism financing.

Initially, compliance with these guidelines was voluntary. However, with the enactment of the Companies (Amendment) Act 2024—specifically Part 8A and Section 2 on BO—SSM has revised and reissued the Guidelines on the Beneficial Ownership Reporting

Framework for Companies, along with the Case Studies and Illustrations of the Beneficial Ownership Reporting Framework for Companies. These updated guidelines, published on 1 April 2024, serve to assist stakeholders, including companies and company secretaries, in understanding and complying with the new legal obligations.

Effective 1 April 2024, all companies are required to submit BO information through the e-BOS. Compliance with this requirement is now mandatory and failure to adhere may result in a fine of up to RM20,000, with an additional penalty of RM500 for each day the offence continues after conviction.

Implementation of the BO Reporting Framework under the CA 2016

1 March 2020 – 31 March 2024	1 April 2024	1 October 2024
Transitional period - Companies had the duty to obtain, verify and keep the BO information at the company's level. - No requirement to lodge changes of BO information with the Registrar. - No enforcement action was taken for non-compliance.	Section 2 and Division 8A enforced - All companies are required to lodge BO info for six (6) months from 1 April to 30 September 2024 through e-BOS. - All companies required to lodge BO information for six (6) months from 1 April to 30 September 2024 through e-BOS. - No late lodgement fee or rectification fee imposed. - No enforcement action was taken for non-compliance during the (six) 6 months period.	Enforcement Actions Begin - Enforcement action for non-compliance. - Late lodgement fee or rectification fee imposed.

Comparison of the BO Legal Framework Under the CA 2016 Before and After the Amendments

Previous Legal Framework	New Legal Framework
BO was defined under section 2.	The definition of BO is elaborated under subsection 2(b).
The company's power to request disclosure of beneficial interest was outlined under section 56.	The overall reporting framework, including the establishment of registers, obligations to obtain information and update changes as well as access to BO information, are precise under the new Division 8A.
The requirement to report BO information in the AR was outlined under subsection 68(3)(j).	The requirement to report BO information in the AR is specified under subsections 68(3)(ia) dan (ib).
The requirement to disclose BO information during the registration of foreign companies was under subsection 562(1)(j).	The requirement to disclose BO information in the AR of foreign companies is now specified under subsections 562(1)(fa).
The requirement to disclose BO information in the AR of foreign companies was under subsection 576(2)(i).	The requirement to disclose BO information in the AR of foreign companies is now specified under subsections 576(2)(ha) and (hb).

REVIEW OF THE QUALIFYING CRITERIA ON AUDIT EXEMPTION FOR CERTAIN PRIVATE COMPANIES IN MALAYSIA

On 16 December 2024, SSM issued the Practice Directive 10/2024, replacing the Practice Directive No. 3/2017, which sets new eligibility criteria for audit exemption for private companies in Malaysia.

This issuance followed two (2) rounds of consultation conducted by SSM:

- February 2023 – The first consultation document was circulated to propose revisions to the eligibility threshold.
- February 2024 – The second consultation document was distributed to further refine eligibility criteria and threshold values, incorporating feedback from respondents in the first consultation.

The revision of audit exemption eligibility criteria aims to:

- (a) Ensure policy objectives remain relevant, specifically:
 - (i) Reducing financial burden on micro and small companies.
 - (ii) Minimizing the number of companies requiring audits, thereby enhancing audit quality.
- (b) Expand access to audit exemption, particularly for

Small and Medium Enterprises (SMEs) to benefit from this policy.

- (c) Consider industry recommendations, including input from the MIA and the MICPA, a review has been conducted to raise the eligibility threshold. This initiative aims to expand access to audit exemptions, thereby increasing the number of SMEs eligible to benefit from this policy.

New Audit Exemption Eligibility Criteria for Private Companies in Malaysia

To qualify for the audit exemption, a company must meet at least two (2) of the following three (3) criteria:

CRITERIA 1	CRITERIA 2	CRITERIA 3
Total revenue in the FS do not exceed the threshold for the current financial year and the immediate past two (2) financial years.	Total assets in the FS do not exceed the threshold for the current financial year and the immediate past two (2) financial years.	The total number of employees do not exceed the threshold value at the end of the current financial year and the immediate past two (2) financial years.

Companies that have remained dormant since incorporation and those inactive during both the current and previous financial years are also exempted from the audit requirement.

Threshold Values

The eligibility thresholds for audit exemption are set as follows:

 **Revenue:**
RM3,000,000

 **Assets:**
RM3,000,000

 **Number of Employees:**
30

However, the threshold increase will be implemented gradually over three (3) years, in accordance with the schedule below:

YEAR	FIRST YEAR	SECOND YEAR	THIRD YEAR
Financial year commencing period	Between 1 January until 31 December 2025	Between 1 January until 31 December 2026	Beginning from 1 January 2027 onwards
Audit Exemption filing year	Beginning from 1 January 2026	Beginning from 1 January 2027	Beginning from January 2028
Threshold Values:			
Turnover	RM1,000,000	RM2,000,000	RM3,000,000
Asset	RM1,000,000	RM2,000,000	RM3,000,000
Employee	10 employees	20 employees	30 employees

Justification for the New Audit Exemption Criteria and Thresholds

- (a) Simple and Practical – The new criteria, based on revenue, assets and number of employees, provide greater clarity, making it easier for companies to assess their eligibility while aligning with international practices.
- (b) Aligned with SME Definition – The prescribed threshold is consistent with Malaysia's SME definition, allowing micro and a significant portion of small enterprises to benefit from audit exemption, thereby reducing compliance costs.
- (c) Immediate Benefits for Small Companies – An estimated 42% of active companies in Malaysia will

immediately qualify for audit exemption in the first phase of implementation.

- (d) Adaptation by Audit Firms – The gradual increase in the threshold allows audit firms to adjust their business models by expanding services such as tax consultancy and internal audits.
- (e) Company Readiness – The phased implementation over three (3) years provides companies with time to plan business growth, adapt strategies and prepare necessary documentation if their audit exemption eligibility changes.
- (f) Continuous Assessment – The step-by-step approach enables SSM to evaluate policy impact, refine guidelines and ensure the quality of unaudited FS submitted to SSM remains intact.

COMPANIES (AMENDMENT) REGULATIONS 2024

The Companies (Amendment) Regulations 2024 came into effect on 30 November 2024, introducing amendments to the Company Regulations 2017. A key revision includes the addition of Item 40A, which prescribes a RM500 fee for advertising placements on the SSM website.

This amendment aligns with the changes made to the CA 2016, particularly the introduction of section 612A, which permits the SSM website to be used as a platform for publishing information that would otherwise be required to be published in newspapers.

PUBLICATION OF SUBSIDIARY LEGAL DOCUMENTS

Throughout 2024, in line with the enforcement of the Companies (Amendment) Act 2024, SSM has published and reviewed relevant subsidiary legislation. This initiative aims to clarify the implementation and

enforcement of provisions under the CA 2016, ensure clearer compliance and support the effectiveness of Malaysia's corporate legal framework.

The subsidiary legislation that has been published and reviewed includes the following:

Practice Note
Practice Note No. 6/2024: Notification of Approval as an Approved Liquidator
Practice Note No. 7/2024: Publication or Advertisement on the Official Website of SSM in lieu of any Information Required to be Published or Advertised under the CA 2016
Practice Note No. 8/2024: Clarification on Whether a Society can be a Member of a Company
Practice Note No. 9/2024: Clarification on Procedures Relating to Notification of Appointment and Removal of Directors under section 58 of the CA 2016

Practice Directive

Practice Directive 9/2024 – Lodgement of BO Information under the CA 2016 Through e-BOS (Revised)

Practice Directive 4/2018 (Revised) – Documents under Division 8, Part III of the CA 2016, the Lodgement Requirements and Related Matters

Practice Directive 1/2017 (Revised) - Documents under the CA 2016, the Lodgement Requirements and Related Matters

Practice Directive 7/2021 – Lodgement of Annexure on BO Information of AR Lodged under sections 68 and 576 of the CA 2016 (Revised)

Practice Directive 10/2024 – Qualifying Criteria for Audit Exemption for Certain Private Companies In Malaysia

Guidelines

Guidelines on Company Names (also refer Gazette Notification for Application of Company Name)

Guidelines pursuant to subsection 264(4A) of the CA 2016 for a Firm of Auditors

Guidelines for the Adjudication of Proof of Debts under section 369B of the CA 2016 and other related matters

Guidelines for Corporate Rescue Mechanism under Division 8 Part III of the CA 2016 (Revised)

Circular

Circular 1/2020 - Guidance Notes on the Registration of Firms of Liquidators and Notification on the Approval as an Approved Liquidator (Amended on 1 April 2024)