

Proposals: Creating The First Malaysia's Social Stock Exchange (MSSE)

Following are the highlights of the proposal:

Introduction:

Social Stock Exchange (SSE) is simply another trading platform listing social businesses only in any approved Main Stock Exchange of any country. SSEs allow investors to buy shares of companies whose businesses are focused in key areas such as education, food & agriculture, energy, water, sanitation, healthcare, green technology and environment orientated.

Key participants will include the government, financial institutions, community organizations, development agencies, social entrepreneurs and investors.

As SSEs are a relatively new phenomenon in the capital markets, only a handful of countries have these trading platforms. It is even fewer in the Asian region. Malaysia has yet to take advantage of this situation to be a leader in this area of specialization just like what we have achieved for Islamic Finance globally.

Current Position:

The absence of this "trading platform of the future" necessitates that a preliminary research be initiated to formulate a roadmap or even a Blueprint to create Malaysia's first Social Stock Exchange. There are several challenges involve in setting up a SSE. Among the challenges will include:

1. Accretion and accreditation at related areas among the investors, social businesses or entities, intermediaries and the government.
2. Social mission of the business
3. Target beneficiaries
4. How the business impact the companies and stakeholders
5. Metrics or measurement tools of social and or environmental impact

Some key areas to begin the research of a SSE will include:

1. Policy and regulations for a sustainable SSE
2. Education, training and awareness activities
3. Research and Development activities
4. Metrics tools or methodologies to measure the impact
5. Creating a sustainable framework for localized SSE

Assumptions:

1. This potential SSE will adopt existing policies and guidelines in setting up a stock exchange.
2. The proposed SSE will be regulated by relevant authorities of Malaysia

Objectives:

1. To develop the first Social Stock Exchange in Malaysia
2. To enhance the positive image of related government agencies and social stakeholders
3. To assist other countries in developing similar SSEs especially in the OIC community

Brief Description of Strategy:

The MSSE entity will be created with the latest ICT technologies and competent people / social entrepreneurs to provide the trading platform for investors to trade "social orientated shares" in the open market. MSSE will bring together the government, social business entities and social investors.

Supporting platforms that will need research and refinement initiatives (SOPs) in the value chain will include:

1. Formation of MSSE – Framework & Guidelines
2. MSSE Advisory Board – Policies and Direction
3. MSSE Partners Incorporated – Social Business Partnership
4. MSSE Bond – Raising capital through bonds issuance
5. MSSE Academy – Promotion for the science & art activities of MSSE
6. MSSE Institute – Promotion of educational activities of MSSE

7. MSSE Advisory & Research – Provision of comprehensive advisory services, identify investment opportunities and conduct due diligence and manage transactional exchange.
8. MSSE Growth Fund – Issuance of Growth Funds in a matured market.
9. X-celerator Fund – To expedite growth of budding enterprises.
10. X-cessment Advisory – To measure and monitor social-environment impact?
11. Any other Capital Markets enhancement activities e.g. MSSE Foundation that scale up positive impact using Strategize, Learn, Innovate & Magnify (S.L.I.M.) methods?

An example will be a “Rural Development Bond” created with the help of an entire ecosystem of people and organizations willing to get involved in the program aimed at mobilizing private capital for development in the rural areas while empowering the rural folks for activities that they are involved in, enabling them to have access to the financial market.

The Rural Development Growth Fund for example, can be an accelerator program that assists social enterprises get through one of the main challenges – matching capital to the different stages of growth. This Growth Fund may cover key sectors such as water, sanitation, healthcare, energy, food and agriculture and education.

The market value chain will include:

- a. Seed capital
- b. Early stage capital
- c. Growth capital
- d. Bridging capital
- e. Exits

The MSSE maturity will progress from:

- a. Idea stage
- b. Early stage
- c. Expansion stage
- d. Pre-IPO stage
- e. Maturity stage

Depending on the various maturity stages from idea stage to maturity and the markets value chain from seed capital to exit, different platforms such as the X-celerator, Partners Incorporated, Growth Fund and even MSSE can be employed to facilitate the capital markets spectrum.

All in all, extensive research and SOPs are to be prepared and presented to the Approving Authorities and these will entail the proposer to do research, visit well known SSEs, discussion with Founder and / or Team Members of proven SSEs, attending conferences & talks on SSEs, training programs on Impact Investing & Innovative Funding and any other exposures in the SSEs arena.

Marketing Strategy & Target Market(s) for MSSE:

The marketing strategy adopted will be above and below the line marketing activity and supplemented by marketing in the Social or Digital Media. A Marketing Plan for MSSE will be developed upon approval.

The target markets will include social investors, government related agencies, financial institutions, community organizations, green development agencies, social entrepreneurs and philanthropic bodies

Positioning Statement:

The positioning statement or strategy for MSSE is: Malaysia’s First Social Stock Exchange!

Branding Strategy:

The proposed branding is to name MSSE: Malaysia’s No.1 Social Stock Exchange. Motto / Tagline: “Investing in People, Planet & Profits.” MSSE entity will be established in the capital city, then acts as Advisory for requesting start up countries. MSSE entity will use both traditional and digital media to create the branding for the public and world at large.

Product / Service Strategy:

The service strategy is to provide a trading platform listing social business developed from the legal, government, private sector and related resources.

Promotion Strategy:

The promotional strategy will include all related activities in both the traditional and digital media to create the awareness of MSSE and its services to the public at large. Printed and digital information about the entity and services will be done. Website, Blog and other Social Media platforms will be employed to increase visibility

Resource Requirements:

MSSE entity will be registered with the Registrar of Companies (ROC) as a company with limited liability in its business undertaking. It will be regulated by existing authorities of the Stock Exchange of Malaysia.

An interim office space with ICT facilities will be sought to conduct the research officially. Initially, it will be staffed by the proposer of this paper. Proposer will endeavor to produce the related framework and SOPs of the supporting platforms such as Academy, Institute, Advisory Board, Guidelines for Bonds & Growth Fund (proposed policies, guidelines, SOPs...) necessary to create MSSE.

Financial Considerations:

1. An initial request for grant of RM 8,000.00 per month or RM 96,000.00 (1 year operating expenses) to cover salary, travelling expenses, visits to SSEs and discussion with key persons and training.

Conclusion:

The new emergence of SSEs in the world with very few examples will necessitate that extensive research needs to be done to create Malaysia's first Social Stock Exchange (MSSE). The proposer has outlined the strategic approaches and platforms to create a working SSE.

The grant approval and support by the appropriate authority will be instrumental in realizing the first SSE in Malaysia!

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