

INTRODUCTORY REMARKS

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Markets provide a useful means to mobilise capital and harness economic interests in an efficient manner to drive innovation and growth. Yet, at the same time, self-interests may create behaviours that pose risks to the safety of investors and the integrity of markets. It is thus important that we learn the lessons from past financial crises that growth is only sustainable if it is underpinned by a proper system of accountabilities and governance.

The CMP2 theme of “Growth with Governance” describes the challenges for our capital market in expanding its role in invigorating national economic growth while addressing concerns about the efficacy of markets in the aftermath of the global financial crisis.

Growth with governance is about getting markets to work better for everyone. We need to ensure that our markets are efficient at utilising our savings for capital formation, to create opportunities and jobs and to finance investments in infrastructure and technology to provide better amenities and improve the quality of life.

It is equally important that fair and adequate returns are distributed back to investors who are reliant on the accumulation of income from their investments to sustain their living needs.

The pursuit of growth requires that we are open to opportunities and to risks. Our choices are limited if we only seek opportunities within our boundaries. Similarly, we limit our ability to grow if we limit the risks we are willing to take. Fostering entrepreneurial and innovative zeal therefore requires openness and greater appetite for risk-taking.

We have sought in CMP2 to outline the strategies to unleash these dynamics in our capital market. Ultimately, sustainable growth propositions are crystallised through pragmatic policies and mindset changes that motivate us to continuously seek new opportunities, persist with change and persevere until we achieve success.

In as much as markets are about growth, markets are also about our values and our sense of morality. In this regard, markets promote risk-taking by spreading the gains and losses among market participants who may have differing risk-return profiles. But it is important that everyone trusts that the risks and rewards will be distributed fairly. If rewards are retained by a few while the risks are borne by many, this will erode confidence in the integrity of markets. Markets are impoverished when they lose their sense of moral values.

The hallmark of the market that we aspire to build is one that will be distinguished by the quality of its governance. We have used the term governance broadly to describe how regulation interacts with market mechanisms to allocate capital resources efficiently and fairly. The governance process is enriched by extensive participation and engagement to ensure that the rights and interests of stakeholders are properly safeguarded.

It is therefore the central task of regulation to ensure that governance arrangements are sufficiently robust in maintaining public confidence in the integrity of our markets. It is certainly the Malaysian experience that effective and efficient regulation promotes orderly and sustainable growth, and engenders investor confidence and trust.

Nevertheless, the regulatory duty has become more challenging as capital markets are today far more significant and complex than they were before. The increasing complexity of intermediation makes it difficult to tailor regulation to precisely fit requirements. In addition, the optimal level of regulation is a moving target calibrated by public expectations shaped by changing times and circumstances.

In CMP2, we have aimed for regulation to be effective and relevant, and we will dispense with unnecessary procedures and requirements. But it is still the regulator's job to constantly ask the hard and probing questions to ensure probity in behaviour.

Good governance is not the responsibility of the regulator alone but is one that requires all participants to exercise greater care and responsibility for the consequences of their actions. It also calls for their active participation and vigilance to make markets work better for the well-being of society.

It is my hope that CMP2 continues in the tradition of the previous Capital Market Masterplan in representing the SC's commitment to meeting the future needs of the nation. CMP1 continues to retain its strategic clarity and relevance even after a decade. The Capital Market Masterplan will continue to serve as an important medium of communication to provide market participants a sense of consistency and certainty on the direction of our long-term policies in a changing environment.

The success of CMP2 will, as always, be dependent on the hard work and unfailing commitment of the staff of the SC, and our stakeholders who have contributed to all our efforts. To all of you, I express my sincere gratitude and look forward to your continued support and contribution.



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