



Suruhanjaya Sekuriti
Securities Commission
Malaysia

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Mission Statement

To promote and maintain fair, efficient, secure and transparent securities and futures markets and to facilitate the orderly development of an innovative and competitive capital market.

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Chairman's Message

CHAIRMAN'S MESSAGE



• The past year was a watershed for the Malaysian capital market. It formally denotes the end of the period of the first Capital Market Masterplan, which was launched in 2001.

• The ten-year plan had been conceived in the aftermath of the Asian financial crisis and had itself signalled a turning point in the way the capital market would develop, grow and be regulated. And indeed the capital market has been transformed over the past decade.

• The market is now approximately the size of the banking system, driven by the increase in value of the stock market, as well as the deepening and broadening of the corporate bond market and rapid development of the investment management industry. Regulation has also changed significantly, with greater oversight and supervision of the market and stronger enforcement, while allowing greater flexibility for the industry to innovate.

• These developments have fortified the market's foundations and enhanced its economic role of allocating resources, transferring risks and absorbing shocks to the wider economy. It was able to weather the global financial crisis and face the new landscape forged from a position of strength.

• This is also the view of international stakeholders. In 2010, the FTSE Group upgraded Malaysia to advanced emerging markets status. In addition, the US Securities and Exchange Commission, approved Bursa Malaysia and the electronic trading platform operated by Bursa Malaysia Bonds Sdn Bhd as a designated offshore securities market, while the US Commodity and Futures Trading Commission also gave the approval for our futures brokers to solicit trades directly from US customers.

• These reflect the growing international recognition that our regulatory framework offers comparable protection to investors relative to their respective markets.

While 2010 may have marked the formal end of the first plan, work on the second capital market masterplan, and indeed on further developing the Malaysian capital

market and its regulatory framework, has been ongoing.

• These will define and drive the development of Malaysia's capital market over the next ten years.

2010 was noteworthy also in that it saw a number of significant achievements and initiatives which came to fruition during the year. In line with the Economic Transformation Programme, we have also embarked on a number of other initiatives, including the work on the Private Pension Fund Framework as announced in the Budget 2011.

Strengthening market resilience

In 2010 we continued to place emphasis on building resilience. While the global financial system has stabilised and started to see the shoots of recovery, events in the European Union – notably Greece and Ireland – served as a reminder that the spectre of debt continues to haunt the world economy, and by extension, its capital markets. Vigilance and a rapid response to events therefore remain key. We conducted systematic and thematic examinations on a range of intermediaries including those that are systemically important and which appear on our risk profiling assessment. Appropriate actions were taken ranging from sanctions to revocation of licences. In the corporate sector, we increased surveillance to more than 300 companies, and carried out close to 100 corporate surveillance engagements with directors, company officers, professionals and other stakeholders. We also conducted surveillance over the equity and bond markets to act against possible market abuse. A total of 29 administrative actions, including the revocation of an asset management licence, were imposed and around 100 supervisory letters were issued.

Strong enforcement serves to complement close supervision and in 2010, the Securities Commission

Malaysia (SC) secured 15 convictions, completed five civil proceedings, obtained more than RM32 million in restitution, costs and fines, and had RM10 million in assets frozen. In July, the SC secured a four year custodial sentence against a businessman after he was convicted of operating an online investment scam without holding a fund manager's licence. This is an important outcome for the SC which I believe will act as a strong deterrent against capital market offenders.

I am especially delighted that the year saw the establishment of the Audit Oversight Board. As a result of this, Malaysia has become only the second country in South-East Asia to be admitted into the International Forum of Independent Audit Regulators. We look forward to this Board raising not just auditing standards in Malaysia, but also that of financial reporting overall. I am also pleased to highlight the establishment of the Securities Industry Dispute Resolution Center, which will ensure that small claims disputes between individual investors and capital market intermediaries can now be resolved in a fair, efficient and timely manner.

Promoting growth with governance

In the 2009 annual report, I wrote of the importance of governance in determining the Malaysian capital market's quality and future success – not just of corporate governance by listed companies, but also governance in the broadest sense: by market intermediaries as well as by investors. While the SC instils regulatory discipline through our supervision and enforcement efforts, the resilience and sustainability of growth of the market crucially depends on self-discipline of market participants. Investors must also be able to help themselves. Over the course of the year, we have worked to promote financial literacy, enhancing provisions in the law and improving the quality of information given to investors. Our retail investor education programmes reached out to over 43,500 participants in 2010. We updated our *Guidelines on Offer Documentation of the Malaysian Code on Takeovers and Mergers* to enhance standards of disclosure and independent advice. In addition we also began consultation on rule changes concerning sophisticated investors and intermediaries' sales practices.

I announced at the launch of the SC-Bursa Malaysia Corporate Governance Week in June that the SC

would be developing a new five-year corporate governance blueprint and action plan in 2010. Significant changes to the corporate landscape as well as new corporate governance-related issues that surfaced in Malaysia and internationally, have made a new blueprint all the more critical. Work began soon after the announcement and to help us in our efforts, we appointed a high-level Corporate Governance Consultative Committee, with members drawn from local as well as foreign stakeholders, including the Organisation for Economic Co-operation and Development (OECD), to provide us with strategic direction, views and advice. To reinforce our commitment to raising standards and awareness in Malaysia and championing the cause within the region, the SC together with Bursa Malaysia, hosted the Working Group Meeting of the OECD Asian Roundtable on Corporate Governance in Kuala Lumpur in late May. The event drew senior policy makers and market practitioners from Asian countries, multilateral agencies and regional associations, who discussed strategies in developing a new roadmap for Asia's corporate governance landscape, and reviewed existing efforts in corporate governance in the region.

In addition to our core regulatory objectives, the SC's mandate also requires us to facilitate sustainable growth of the Malaysian capital market and to take into consideration its competitive position internationally. This requires us to work together with regulators in other jurisdictions, not only to facilitate greater cross-border activities, but also to exchange regulatory and technical expertise, and provide each other with enforcement and supervisory assistance. To this end, the SC has actively contributed to the International Organization of Securities Commissions (IOSCO) Emerging Markets Committee, the IOSCO Strategic Direction Task Force and IOSCO EMC Working Group on Secondary Market Regulations.

In the past year, we also continued to expand our collaboration and linkages with other markets, by entering into a capital market collaborative arrangement with the Securities and Exchange Board of India, and by signing memoranda of understanding with the securities regulators of Turkey and Qatar to strengthen regulatory co-operation.

We also continued to forge stronger links with key markets. In June, the SC signed a letter of exchange with the China

Banking Regulatory Commission, which recognised Malaysia as an investment destination under China's Qualified Domestic Institutional Investors Investment Scheme. • is makes Malaysia the first emerging market, and one of only 11 countries recognised by China as approved investment destinations. In addition, following the US CFTC's recognition of Malaysia's regulatory standards, the year also saw Bursa Malaysia Derivatives Bhd migrate the trading of its derivatives products, comprising commodity, financial and equity futures, onto CME Group's electronic trading platform, CME Globex. With multiple access points globally, the platform now affords global distribution for the full range of Bursa Malaysia's derivatives products, including crude palm oil (CPO) futures contract which is the international price benchmark for the CPO market.

Turning to the Islamic capital market, 2010 saw another landmark transaction for the Malaysian sukuk market when Cagamas Bhd, the national mortgage corporation, launched the innovative Sukuk al-Amanah Li al-Istithmar in July, pursuant to its RM5 billion (US\$1.53 billion) Islamic Commercial Paper and Islamic Medium Term Note Programme. • e market also attracted international sukuk issuers, most notably the Islamic Development Bank, which offered Malaysia's first foreign currency sukuk by a foreign issuer, amounting to US\$500 million. • is sukuk was later listed on Bursa Malaysia.

Enhancing regulatory efficiency and capacity

• ese developments underscore our growing accountability over more complex mandates and the need for the SC to establish more specialised skills and competencies with which to deliver them. To this end, the SC practices a holistic human capital management philosophy, and this year we enhanced our talent management initiatives to boost our talent pipeline to deliver our mandates.

One of the major efforts undertaken by the SC in 2010 was the setting and institutionalising of top benchmark performance standards through our job and performance management systems. Measures to inculcate a high performance culture continued throughout the year via

supportive learning and development interventions to enhance individual and organisational skills and experience, which ensured that core competencies were met, internal capabilities were adequate at all times, and that people risks were managed and mitigated. We also recognised that we need to improve data collection and analysis, as well as information-sharing and collaboration, and have stepped-up work in developing new approaches for identifying and managing risks to our regulatory objectives.

In 2010, we continued to put a heavy emphasis on raising efficiency and to improve our service through process redesign and the appropriate use of technology. During the year we introduced a number of internal and external online systems in the area of human capital management, enhanced our knowledge infrastructure by adopting current collaboration tools, and established internal systems for information sharing and records management.

We also recognised that the key to enhancing regulatory capability lies in the capacity of the SC's staff. We therefore continued to value the importance of human capital development as we increasingly recognise that people who are skilled and motivated can make a difference to the development and growth of the organisation. To this end, strategies for improving staff productivity to drive higher value for the SC have become an important focus. Staff were required to achieve a set target of eight training man-days to ensure continuous professional development and capacity building. To enable them to do this, varied learning interventions were identified in collaboration with relevant local and foreign regulators as well as with subject matters experts in related fields. • is led to, amongst others, the birth of the Leadership Excellence and Development (LEAD) curriculum and the SC Core Capital Market Curriculum that was rolled-out Commission-wide in the first quarter.

Looking ahead

Looking ahead, the near-term domestic environment should continue to be broadly supportive of the capital market. According to current forecasts, growth for the year

ahead appears to bode well for corporate activity, while the Economic Transformation Programme could boost higher private-sector fundraising. However, with lingering weaknesses in the advanced economies and questions over the sustainability of growth in the emerging economies, global risks continue to prevail. We should not forget that the funds seeking higher yielding assets which have driven valuations ever-higher in emerging markets – and East Asia in particular – can be fickle.

Looking further ahead to the medium term, we can expect the global financial landscape to become even more competitive, and it is only a matter of time before the pressure builds up for regulation to be more facilitative of innovation. In the exchange space, the dynamics of competition, building scale, pooling liquidity and reducing friction costs will have significant implications

on how stock exchanges evolve. Strategic alliances, consolidations and mergers will feature just as efforts are being made for greater migration of major over-the-counter products to a centralised environment.

On behalf of the SC, I would like to thank all our stakeholders for their support during the year. I am particularly grateful to the Commission members and the Shariah Advisory Council (SAC) for their contributions. I would also like to acknowledge the counsel and support of the SC's Management Committee and of course the hard work of the SC staff in delivering the achievements outlined in this report.



Zarinah Anwar



Part One

Protect Investors and Maintain Market Confidence

PROTECT INVESTORS AND MAINTAIN MARKET CONFIDENCE

INTRODUCTION

In 2010, the SC pursued violations of securities laws with greater urgency and intensity, amid expectations that regulatory discipline continues to be the mainstay of investor protection and market confidence. A range of firm and tangible enforcement actions were progressed during the year.

† The SC brought more criminal charges against directors and officers of listed entities for fraudulent and misleading transactions. † There were more convictions and guilty pleas while a higher number of appeals were filed by the SC where sentences were felt to be inadequate. Where appropriate, the SC continued to seek custodial sentences to serve as a deterrent to others. In addition to criminal prosecution, the SC pursued a wide range of legal remedies to provide appropriate civil relief to investors. † The Courts were petitioned to freeze cash and appoint liquidators to take control of accounts, which led to successful restitution to eligible investors. † The SC however recognises that regulatory enforcement must be complemented by other efforts such as the enhancement of the regulatory framework, greater oversight of market professionals, providing investors with appropriate avenues for dispute resolution, as well as engagement and education programmes.

Significant changes were introduced to enhance the regulatory framework for better investor protection. † It included the revamp of the *Malaysian Code on Take-Overs and Mergers 1998* (TOM Code 1998), review of the privatisation of listed companies via the disposal of assets, as well as putting in place measures to improve the quality of independent advice.

† The year also saw the Audit Oversight Board commence its operations on 1 April, and the setting up of the

Securities Industry Dispute Resolution Center (SIDREC). Gearing towards operation by early 2011, SIDREC is the first dispute resolution body in the Malaysian capital market which exclusively provides an avenue for the settlement of small claims disputes without the need to resort to expensive litigation.

All efforts to protect investors and maintain market confidence were complemented by comprehensive investor education programmes and enhanced communications and engagements with stakeholders. Greater focus was placed on raising awareness of the general public through numerous reports in the local media and the SC's own enforcement newsletter, • *The Reporter*.

ENFORCEMENT

† The SC's enforcement activities in 2010 reflect the increasing complexity of securities offences which necessitated the use of our diverse range of enforcement powers – from pursuing criminal charges against perpetrators of financial fraud, seeking appropriate deterrent sentences, freezing of ill-gotten assets, restituting victims of investment scams, early intervention to prevent dissipation of assets and other illegal activities, to meting out administrative sanctions.

Civil actions

Restitution for victims of investment scams

In April, the SC completed its civil action to restitute RM2.2 million to 14 investors when the High Court ordered the release of the monies frozen under the

Swisscash restitution

Following a settlement entered into on 6 November 2009 between the SC and two defendants in the Swisscash investment scam, Albert Lee Kee Sien and Amir Hassan, the SC, in April 2010, obtained the approval of the High Court on the eligibility criteria for the restitution of Swisscash investors. The order by the Kuala Lumpur High Court allowed payment to be made from a pool of funds amounting to RM32.7 million, to eligible investors who had suffered losses as a result of investing in the scam.

PricewaterhouseCoopers Advisory Services Sdn Bhd was appointed to manage the restitution process. 22,780 claims, totaling approximately RM188 million were received from Malaysian and foreign investors. Payouts totaling RM30.532 million were made to 19,625 eligible claimants, with a payout rate of 20 sen to the ringgit.

Up to 31 December 2010, the Administrator had effected restitution to 99.1% of the total eligible claims.

Anti-Money Laundering and Anti-Terrorism Financing Act 2001 (AMLATFA). Working with counterpart regulators in Australia and Dubai, it was revealed that persons claiming to be from Cambridge Capital Trading, a member of the “Dubai Options Exchange”, had solicited funds from investors in Australia and Singapore. The investors had deposited monies into a local bank account in Kuala Lumpur. The SC successfully obtained a court order to freeze and protect these monies from the perpetrators of the scam pending the outcome of the SC’s investigations.

The year also saw the near completion of our efforts to reconstitute eligible investors of the Swisscash investment scam following the settlement reached in 2009.

Early intervention on detection of misconduct

In July, the SC obtained an order restraining Rantau Simfoni Sdn Bhd and its director, Zamani Hamdan from holding themselves out as carrying on a business of trading in futures contracts and from acquiring, soliciting, collecting and disposing of any monies for investment in futures contracts. A High Court order followed, directing the defendants to transfer and vest all monies from their accounts to the SC for the purpose of compensating the investors from whom monies were solicited for purposes of trading in futures contracts.

The appointment of receivers following the SC’s investigation into the affairs of RBTR Asset Management Bhd (RBTR) successfully prevented the dissipation of funds in one of the three schemes managed by RBTR. The appointed receiver managed to secure an amount of RM978,382 under the High Yield Compro scheme which was refunded on pro-rata basis to 48 investors with a total invested capital of RM3,217,000. This worked out to an average restitution of 30.4 sen for every RM1 of invested capital. The receiver however reported that investments under two other schemes managed by RBTR were not recoverable.

Preventing dealing in proceeds from insider trading

In June, the SC succeeded in obtaining a Court order preventing dealing in proceeds from share sales. The order was made against Dato’ Ishak Ismail, refraining him from dealing in RM10.2 million worth of proceeds from his disposal of 58.7 million shares of Kenmark Industrial Co (M) Bhd (Kenmark). These monies are now frozen pending the outcome of the SC’s civil proceedings against him where it is alleged that he had committed offences of insider trading and making false or misleading statements when he purchased and subsequently sold Kenmark shares in June 2010. The case is awaiting trial.

Criminal prosecutions

Considerable progress was made with respect to criminal cases pending in court in 2010. A significant number of cases were completed and the Courts handed down 15 convictions and imposed fines of more than RM6.75 million. Of the 15 convictions, the thoroughness of the investigations prompted 11 persons to plead guilty in the face of overwhelming evidence.

Throughout the year, SC prosecutors handled 39 criminal prosecutions and called more than 200 witnesses to give evidence during trials, tendering more than 1,000 documents to prove the offences.

New criminal charges for financial fraud

Consistent with our efforts to protect market integrity and improve the standards of corporate governance in PLCs, the SC intensified actions against financial fraud. It is included preferring criminal charges against the following directors and officers for falsifying company accounts:

- Alan Rajendram for inflating the revenue of LFE Corporation Bhd (LFE)
- Alice Poh Gaik Lye for securities fraud relating to Lique Health Corporation Bhd (Liqua)
- Mok Chin Fan, Jimmy Tok Soon Guan and Cheong Kok Yai for falsifying the accounts of INIX Technologies Bhd (INIX)

Abetment charges were also preferred against those abetting the principal offenders. Easwaramoorthy Pillay was charged for abetting Alan Rajendram (LFE), Goh Bak

Failure to appear before the SC in connection with an investigation

The SC's ability to take enforcement action is highly dependent on our ability to require persons to appear before the SC to provide statements in the course of our investigations.

In 2010, for the first time, the SC brought criminal charges against persons who had failed to appear at the SC to be interviewed during the investigation into INIX's affairs: Helen Soon Shiau Yen and Normah Sapar, accounting staff of INIX, and Chong Poh Ying, a purported supplier to INIX. They potentially face imprisonment of up to five years and fines of RM1 million if found guilty. This sends a clear message that a notice from the SC to give a statement is not to be taken lightly and that the SC is fully committed to the gathering of facts in its investigations into possible breaches of securities laws.

Ming for abetting Alice Poh (Liqua) and Normah Sapar for abetting Jimmy Tok (INIX).

Administrative actions

A total of 29 administrative sanctions were meted out against intermediaries for various misconduct, breaches of licensing conditions, and breaches of the take-overs

Table 1
The SC's criminal prosecutions

Key results	2010	2009	2008
Persons charged in criminal court	10	6	7
Persons convicted in criminal court	15	12	6

Pursuit of deterrent custodial sentences

To ensure that the criminal actions carry appropriate deterrent value, a key focus of the SC's criminal appeals in 2010 was to seek custodial sentences commensurate with the severity of the offences. In 2010, the SC upheld eight appeals on the basis that the fines or jail term imposed were considered inadequate.

The year also saw Phazaluddin Abu being sentenced to four years in jail. Phazaluddin had held himself out as a fund manager through a website called www.danafutures.com without a fund manager's licence. He made false representations on his website and was in fact operating a ponzi scheme. In total, he collected approximately RM65 million from 52,000 investors.

Phazaluddin was also convicted of three charges under the AMLATFA for money laundering offences involving the receipt of RM1.3 million from the same scam. He was sentenced to two years imprisonment for each of the charges under AMLATFA. The court ordered the imprisonment term for these offences to run concurrently.

and mergers provisions. Of the 29 sanctions, four were suspension of licences, one was revocation of licence, nine were fines, 10 were reprimands and five were directives.

RM842,000 in fines were imposed against four licensed intermediaries and three licensed representatives for various breaches of securities laws and relevant guidelines; and two parties who had breached the provisions of the TOM Code 1998.

Directives issued ranged from the imposition of extra CPE points against licensed representatives, requiring parties who triggered the mandatory offer threshold to dispose of the acquired shares, and requiring the board of directors of a licensed intermediary to implement its remedial action plan effectively and within a stated timeline.

In addition to the administrative actions meted out under sections 354 and 356 of the CMSA, the SC had also issued a total of 103 supervisory letters against corporate advisers, licensed intermediaries, public listed companies, boards of directors, research houses as well as individuals for various breaches that were minor in nature and had low impact.

Protecting rights of minority shareholders in take-overs and mergers

In 2010, the SC imposed administrative sanctions against persons for failure to undertake a mandatory offer after obtaining control in two public companies, namely Nylex (M) Bhd and TRC Synergy Bhd. The controlling shareholders and parties acting in concert were found to have breached the creeping provision in the TOM Code 1998 by acquiring more than 2% of the voting shares in the two affected companies within a period of six months. The sanctions imposed were in the form of reprimands, fines and directives to sell down the acquired shares with the profits obtained to be donated to charity.

The SC also took action against OSK Investment Bank Bhd, in its capacity as the adviser for the take-over offer of Johor Land Bhd. OSK Investment Bank Bhd was found to be responsible for allowing the offer document which contained material omissions to be issued.

STRENGTHENING THE FRAMEWORK FOR INVESTOR PROTECTION

Release of the Malaysian Code on Take-overs and Mergers 2010

A robust take-overs regulatory framework is one of the key pillars of a credible capital market. Recognising that the market environment for M&A activities has evolved significantly over the years, the SC undertook a major revamp of the TOM Code 1998 in 2010.

Since the last major review of the TOM Code 1998, the SC had been addressing the changing needs of businesses by issuing rulings and frequently-asked questions (FAQs) through its website. Given the significant developments in the last 10 years and the

TOM Code 2010 – Key changes

- All companies (including foreign-incorporated companies) and real estate investment trusts (REITs) listed on Bursa Malaysia are subject to the *Malaysian Code on Take-overs and Mergers 2010* (TOM Code 2010).
- The introduction of two new categories of persons who are presumed to be persons acting in concert and the introduction of a set of criteria for rebutting the persons acting in concert presumption.
- Clarification on the conduct required of all parties involved in a take-over offer.
- Facilitating the use of voluntary offers to privatise companies.
- Shorter settlement period in a take-over offer.
- The TOM Code 2010 applies to schemes of arrangement, compromise, amalgamation and selective capital reductions.
- Announcement on potential take-over offers.
- Requirement to inform the SC of material omission, errors and changes in documents.

many rulings issued to address such developments, it was timely to replace the TOM Code 1998.

The TOM Code 2010 came into force on 15 December. It consolidates various rulings issued by the SC over the last 10 years and underlines the continuous effort by the SC to strengthen investor protection and institute higher standards of governance in take-over and merger activities. The TOM Code 2010 also extends protection to a wider group of investors and requires higher standards of disclosure and transparency.

Audit Oversight Board commences operations

The Audit Oversight Board (AOB), which was established in November 2009, commenced operations and began registration of auditors on 1 April 2010. By the end of December 2010, it had registered a total of 92 audit firms and 376 individual auditors.

Through the AOB's inspection of audit firms and individual auditors, AOB is able to ascertain the status of compliance by auditors. Six audit firms were inspected during the year. Subsequently, inspection reports were issued and audit firms and individual auditors were expected to undertake remediation of identified deficiencies in a timely manner.

AOB was accepted as a member of the International Forum of Independent Audit Regulators (IFIAR) in September 2010. Membership of IFIAR is a recognition of AOB's robust regulatory framework in relation to audit oversight, including its independence of the accounting and audit profession. IFIAR membership enables the AOB to be involved in global activities with respect to audit inspection and enables the AOB to gain insights from the experience of other jurisdictions including audit regulators from major capital markets.

Securities Industry Dispute Resolution Center

Efforts initiated in 2009 to establish an alternative dispute resolution mechanism to broaden the investor safety-net, took shape in 2010 with the incorporation of the Securities Industry Dispute Resolution Center (SIDREC) on 28 July.

Pursuant to the *Capital Markets and Services (Dispute Resolution) Regulations 2010*, which approved and gave the powers to SIDREC to function as a dispute resolution body, SIDREC will receive references in relation to monetary disputes or claims from retail investors who are clients of the relevant holders of Capital Market Services Licence (CMSL).

In essence, SIDREC will be able to provide dispute resolutions pertaining to any dealing or transaction involving capital market products or services between clients and their—

- securities brokers;
- futures brokers;
- fund managers; and
- unit trust management companies.

SIDREC will carry out its dispute resolution process through mediators who will investigate disputes

between investors and the CMSL holders, and try to mediate so that a settlement can be reached. If this fails, the mediator will proceed to adjudicate on the matter and deliver a decision on the dispute. SIDREC's decisions are binding on CMSL holders but not on the claimant. † us, a claimant who is dissatisfied with SIDREC's findings, is free to pursue his claims through other avenues for dispute resolution, such as the courts.

SIDREC's target group are individual retail investors and sole proprietorships, and this is reflected in the monetary limit of RM100,000 imposed on eligible claims. † e services provided by SIDREC are free for investors. Besides providing an alternative avenue of dispute resolution for investors, SIDREC also promotes the enhancement of the complaints management function amongst CMSL holders as an investor may only submit his dispute to SIDREC after he has filed his claim with the CMSL holder and failed to reach a satisfactory outcome.

A blueprint for furthering the corporate governance agenda

† e SC continues to improve and align our corporate governance framework with international standards and best practices. As part of this effort, 2010 saw the commencement of work on a new blueprint on corporate governance. † is blueprint is timely as most of the recommendations in the 1999 High Level Finance Committee *Report on Corporate Governance* have been implemented.

† e blueprint, with specific and measured deliverables, will chart an action plan for the next five years. With a view to enhancing Malaysia's corporate governance standards and identity, this comprehensive and forward looking document will cover strategic priorities from board governance to active shareholder participation. In line with its focus on continuous improvement, the blueprint will also examine the components that contribute to exemplary corporate governance behaviour.

To guide and advise us on the five-year blueprint, we have established an International Corporate Governance Consultative Committee (ICGCC), comprising members from the private and public sectors. † e ICGCC is

supported by the Corporate Governance Working Group (CGWG).

EDUCATING INVESTORS AND ENGAGING STAKEHOLDERS

Efforts to enhance investor protection and maintain market confidence will yield greater results if they are reciprocated by the co-operation and involvement of all stakeholders. † is is where educating investors and engaging stakeholders play a pivotal role. † e advancement of technology and the increasing complexity of financial products have led to a more sophisticated and globalised marketplace. † is has underlined the importance of increasing our responsiveness to stakeholders and the markets, through meaningful communications aimed at educating investors on their rights, and engaging stakeholders to secure a better understanding and buy-in of policies and regulatory efforts.

Educating investors

Investor education is a regulatory priority as it is essential that investors develop the necessary skills to safely participate in the market. Our objective for a knowledgeable and vigilant investor base remains ever relevant in an increasingly challenging market environment. In this regard, the SC continued to implement our investor education strategy across the spectrum of investor segments in 2010, consolidated the variety and reach of efforts to strengthen investor outreach and identified areas that need further emphasis or changes in approach.

In 2010, we reached over 47,502 individuals through our investor education programmes such as the Smart Partnership Programme, Kids & Cash, Teens & Cash, Be Money Wise (BMW), Cash@Campus as well as Money@Work. Collaborating with other agencies and our network of strategic partners (NGOs, industry and media), we were able to reach a wider public through our participation at exhibitions and road shows as well as via the mass media.

A key mode of delivering investor education and alerts has been through articles in the print media and magazines as well as interviews on radio and television. In February,

the SC launched the Investor Education Radio Series on BFM89.9 which has received very positive feedback. † e series has been e..ective in providing investors insights into and a better understanding of the general workings of the capital market and its players, stressing on the rights and responsibilities of investors.

† rough the Securities Industry Development Corporation (SIDC), we have delivered a number of innovative and e..ective programmes leveraging o... the creativity of college students (Campus kaChing) and continued to provide the very popular Be Money Wise workshops nationwide.

Programmes have also been developed to meet the needs of institutional investors through the Institutional Investor Series which equips institutional investors with the knowledge and skills to manage their funds and play an e..ective role on the boards of companies in investment decisions and in monitoring their investments in the companies and funds concerned.

An education element is also usually included in the SC's press releases or alerts on companies against which enforcement actions have been taken. † rough all these and the proactive role played by the media, investors have become more aware of their rights and of issues that are red –ags. † is has come through in the increased number of complaints received and whistleblowers who have come forward, with useful market intelligence.

Effective complaints management

An important avenue of implementing the investor protection mandate is the SC's approach to addressing complaints and enquiries received. In many cases, these have allowed the SC to take the appropriate pre-emptive action to prevent a concern from escalating. † ey have also allowed us to identify gaps, escalate issues and incorporate issues of public concern into policy design.

† e SC addresses complaints and enquiries by providing a direct and confidential avenue for the public to submit complaints, make enquiries or indeed provide useful market intelligence.

In 2010, out of the total of 1,006 complaints and enquiries received, 732 cases were swiftly addressed upon receipt, while 274 files were opened for further review. † ese numbers do not include complaints and enquiries relating to the Swisscash investment scam.

Table 2

Complaints and enquiries received

	2010
Complaints received	501
Enquiries received	505
Total complaints and enquiries received	1,006
Files opened	274
Complaints/enquiries addressed within 15 working days	732

Consultations on new measures to enhance investor protection

When embarking on new policy matters, it is the SC's practice to seek feedback from the market so that views and concerns can be factored into the policy-making process. A number of consultation papers were issued during the year and stakeholders were engaged on a range of measures aimed at enhancing investor protection. † ree consultation papers were issued in March.

- Firstly, a joint consultation paper was issued with Bursa Malaysia, on Proposed Amendments to Bursa Malaysia's Listing Requirements on Privatisation of Listed Companies via Disposal of Assets.

Previously, listed companies could use di..erent routes with di..erent levels of shareholders' acceptance or approval to privatise their companies and seek a delisting from Bursa Malaysia. Among others, a listed company may dispose of all or substantially all of its assets resulting in the listed company being no longer suitable for continued listing on Bursa Malaysia (Asset Disposal). † e shareholders' approval threshold required for privatisation by way of asset disposal was 50% while the shareholders' approval threshold for other privatisation routes was 75%.

† e SC and Bursa Malaysia proposed the alignment of the threshold for shareholders' approval in privatising a company via asset disposal to 75% to ensure parity in the level of investor protection. Other measures to protect shareholders include a requirement for provision of independent advice on the offer and detailed disclosure on the utilisation of proceeds from the asset disposal.

Following strong and divergent views received, additional research, including benchmarking with other jurisdictions was undertaken, with a view to implementation in early 2011.

- † e SC also released a consultation paper on the Proposed Updates to Guidelines on Offer Documentation of the Malaysian Code on Takeovers and Mergers 1998.

† e availability of high quality information is an important aspect of any investor protection framework. In this regard, in a take-over situation, information given in an independent advice circular is critical to the decision making process. For this purpose, the SC proposed to raise the standard of information given in independent advice circulars, with requirements for independent advisers to provide clearer guidance to investors on the term 'fair and reasonable' when arriving at their recommendation to accept or reject a take-over offer. † e consultation paper also proposed some aspects which should be taken into consideration by independent advisers such as valuation methodology, material assumptions used and the valuation of the offer and convertible securities.

Following the feedback received, the SC has worked on amendments to the relevant guidelines on the interpretation of the standard of 'fair' and 'reasonable' expected of independent advisers in assessing take-over offers. † e SC has also developed guidance on matters that need to be analysed and synthesised, as a minimum, by independent advisers in making a recommendation in relation to take-over offers. When implemented in 2011,

these enhancements will provide investors with clearer and more comprehensive advice to facilitate decision making.

- A third consultation paper was issued on the Review of Sophisticated Investors and Sales Practices for Unlisted Capital Market.

† e SC's approach to protecting retail investors is predicated on the need to ensure that certain minimum standards of conduct and disclosure are prescribed and complied with when offerings of securities are made. However, there is a need to balance these requirements with the level of sophistication of the investors themselves. † is is to ensure that the appropriate level of disclosure and regulations are applied to product offerings made to different investors who have different levels of knowledge and risk appetite. † e consultation paper also discussed extensive proposals relating to sales practices, including:

- assessment of client suitability through the "know-your-client" (KYC) process;
- improving disclosure of information through mandating product highlight sheets; and
- tightening requirements for advertising, marketing and promotional materials.

Having obtained feedback, the SC has worked on refining the proposals for implementation in 2011.

Improving engagements with the media

To maximise awareness of investor protection and corporate governance initiatives and to promote greater international awareness of Malaysia as an attractive financial destination the SC stepped up engagements with the media – a key partner in disseminating messages and information to the public. We received substantive positive media coverage in 2010, generated from over 120 media engagements in the form of press releases, responses to media queries, press conferences, media briefings and interviews.

Important announcements about our regulatory, developmental and enforcement efforts were made through 60 press releases during the year. Written responses were issued to 40 media queries on specific capital market issues while a range of comprehensive background briefings were provided on more complex and technical issues, including the TOM Code 2010. † is strategic and open engagement approach helped ensure accurate and balanced reporting and enabled us to reach out to our key stakeholders as well as the investing community.

High profile events such as the World Capital Market Symposium also provided a platform for the SC to build on our good working relationships with over 60 local and foreign media. † rough a collaborative and mutually supportive process, extensive worldwide coverage was achieved, for the event and the speakers, in a way that successfully projected the Malaysian capital market as an orderly and fast-growing market, with balanced regulation to support its further expansion.

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Part Two

**Promote Fair, Efficient
and Orderly Market**

PROMOTE FAIR, EFFICIENT AND ORDERLY MARKET

INTRODUCTION

Globally, the year 2010 was one of consolidation. While 2009 was a year where regulatory reaction dominated the headlines, 2010 offered more regulatory action in terms of reforms and sanctions instituted. The global financial crisis exposed regulatory gaps as well as critical flaws and key risk areas relating to business practices and processes within global capital markets, which caused significant monetary losses and impacted investor confidence. As a result, global regulatory supervision has been redefined, as reflected by the escalating degree of supervisory intrusiveness, ongoing regulatory reforms, suitability reviews of products promoted by intermediaries, as well as a higher level of vigilance to ensure the safety and soundness of intermediaries and the overall markets.

As the cornerstone of effective regulation, the supervision process must evolve with the dynamics of businesses, markets and economies. Global regulators have taken the necessary actions in strengthening and expanding their resources to cope with dynamic changes in market structures. As an active member of the International Organization of Securities Commissions (IOSCO), the SC continues to participate in IOSCO's initiatives and activities to ensure an orderly global market.

The challenge in all capital markets, developed and emerging, is to allow a natural evolution of markets and participants without reverting to excessive regulation. This will involve making necessary trade-offs. For example, prescriptive regulation may impose greater compliance costs on businesses, but it may also provide greater certainty for both businesses and consumers, whilst providing the necessary confidence to take advantage of market opportunities. The priority is to achieve higher levels of consistency and flexibility in regulations to protect

investors with acceptable levels of transparency, to have fair and orderly markets, and to ensure that the risks to stability are managed effectively.

The Malaysian capital market emerged from the global financial crisis much stronger, as its regulatory framework put in place many safeguards which proved effective against market contagion seen in 2008–09. Nevertheless, learning from lessons emanating from the experiences of the more developed markets, efforts in strengthening the Malaysian capital market during the course of 2010 have been focused on striking a balance between investor protection and developing the capital market. In 2010, performance indicators in the primary and secondary markets registered encouraging growth. This was complemented by an optimum level of supervision in ensuring a fair and orderly capital market.

The supervisory approach in 2010 encompassed a combination of ensuring a robust market, focussing on both prudential and conduct supervision of market institutions and intermediaries and enhanced oversight functions. Managing systemic risks was a key area in the overall strategy to strengthen the resilience of the Malaysian capital market against global risks. Besides more proactive supervision over these areas, regulatory efforts were also made during the year to promote market efficiency.

EFFECTIVE AND ROBUST REGULATORY FRAMEWORK

Regulatory refinements for more effective supervision

Overall, the regulatory framework has been effective in supporting the development of a sound capital market.

Nevertheless, taking the cue from developments elsewhere and as pre-emptive steps, several regulatory refinements were made to facilitate more effective supervision and enforcement in an increasingly complex market-place. † is involved the following:

- Engagements with internal and external stakeholders of intermediaries and PLCs, including its directors, senior management, advisers, statutory auditors, industry bodies and practitioners to evaluate regulatory concerns impacting the intermediaries as well as capital markets and to obtain feedback on enhancing existing guidelines and market practices.
- Augmenting client asset protection requirements via engagements with the Malaysian Association of Asset Managers (MAAM) and Custodian Bank Working Group.
- Reviewing the licensing entry criteria and framework to address changing expectations of intermediaries, investor profile and regulatory landscape and to ensure our market remains a competitive location for leading capital market intermediaries to operate in. Part of the review was to factor in the growing financial sophistication of investors without compromising the need to have greater governance amongst licensed intermediaries and continued protection of clients' assets.
- Introducing a new enhanced surveillance framework – various proactive market-wide indicators and surveillance tools have been established to facilitate early detection of trading irregularities. In addition, the new framework also strengthens the SC's oversight on Bursa Malaysia's surveillance as the front-line regulator and has improved the effectiveness of the overall market surveillance mechanism in tandem with the changing demands of the market place.
- Intensifying oversight on bond trustees through registration, inspection and engagements. † e conduct of in-depth examination of bond trustees in 2010 has enabled us to review and address their respective governance structures, internal audit and

risk management functions, as well as their operational, compliance and monitoring capabilities.

- Enhancing regulatory filings where custodians need to make direct reporting on assets under its custodianship. As custodians are not licensed by the SC, we have required all fund managers to authorise their respective custodians, both domestic and foreign, to submit confirmation on clients' assets under their custodianship and the custodian's compliance with regulatory requirements directly to the SC. † is arrangement has expedited our review of custodial arrangements, and complemented our routine examination and engagement efforts.

International regulatory standard setting

† e recent global financial crisis had exposed the interconnectedness of the world's securities markets and gave momentum to new ways of thinking about the interplay of markets and the impact of securities regulatory policy. IOSCO plays a pivotal role in developing international regulatory standards and approaches, and the SC continues to participate actively in IOSCO's initiatives and activities to ensure an orderly global market.

† e SC Chairman was re-elected as the Vice-Chairman of the IOSCO Emerging Markets Committee¹ (EMC), a position held since May 2008. As one of the key committees within IOSCO, the EMC is an important platform for emerging market regulators to deliberate and exchange substantive views on key regulatory issues and challenges affecting emerging markets.

† e SC Chairman is also a member of the IOSCO Strategic Direction Task Force, which is tasked to examine IOSCO's key mission and goals, and how IOSCO should be positioned in the global financial architecture in leading the development of regulatory standards for capital markets.

As chair of the IOSCO EMC Working Group on Secondary Market Regulations, the SC has been responsible for various key publications addressing secondary market issues of particular relevance to emerging markets. In October, IOSCO published the Working Group's

¹ † e IOSCO EMC has approximately eighty members, making up over 70% of the total IOSCO membership.

report on the Effectiveness of Trading Interventions in Emerging Markets, which examined the experience of emerging markets in imposing trading interventions such as circuit breakers, market and trading halts, and the effectiveness of these measures in addressing extreme conditions of market volatility. The significance of the work was further reinforced, and has increasing relevance, in light of the US .ash crash of 6 May. The report examines the market intervention measures that have been taken by regulators and/or exchanges to reduce the risk of sudden disruptions and erroneous trades, and sets out broad principles in implementing measures to intervene in markets.

Additionally, the SC, together with the Securities and Exchange Board of India, co-chairs the IOSCO EMC Task Force on the Development of Corporate Bond Markets in Emerging Economies (in collaboration with the World Bank). The Task Force will develop a report to assess the state of development of corporate bond markets within emerging markets, identify existing impediments and propose recommendations to overcome these impediments. The report is due for publication in the second quarter of 2011.

The SC Chairman also represents the IOSCO EMC on the International Financial Reporting Standards (IFRS) Foundation Monitoring Board. The Monitoring Board's main responsibilities are to ensure that the Trustees of the IFRS Foundation continue to discharge their duties as defined by the IFRS Foundation Constitution, and approve the appointment or reappointment of Trustees.

PRUDENTIAL AND CONDUCT SUPERVISION OF MARKET INSTITUTIONS AND INTERMEDIARIES

While our regulatory approach remains grounded on the principle that the primary responsibility of the management of an intermediary rests with its board of directors and executive management, the supervisory framework was designed to be proactive in seeking to ensure that boards and executive management discharge their responsibilities effectively.

The SC's engagements with industry players were not confined to regulatory reforms, as the SC also took the opportunity to share our supervisory findings, collaborate

on developmental efforts and clarify regulatory ruling matters. On 10 May, a joint dialogue with Bank Negara Malaysia (BNM) was conducted for all fund managers on money laundering and terrorism financing, where participants were briefed on jurisdictional developments and their domestic implications. On regulatory rulings, a separate session was held where the SC explained the common errors detected from regulatory rulings, and clarified ruling requirements.

This was followed by the issuance of a letter to the board and the chief executive officers of fund management companies on 20 July. The letter reiterated the regulatory expectations and shared areas of concerns identified through the SC's supervision process, namely adequacy of policies and procedures, client asset protection, trading practices, dealing with clients, maintenance of records and regulatory rulings. It also reiterated the boards' responsibility to ensure that fund management companies comply with all regulatory requirements. Consequently, the boards were required to submit an undertaking to the SC that their companies' policies, processes and practices are in compliance with regulatory requirements and expectations. From this exercise, the SC has been able to re-assess the risk profiling assessment of most fund management companies. It also enabled follow-up assessments on the discrepancies noted and the remedial efforts undertaken by certain companies.

On the broking front, the SC continued our supervisory approach guided by the following objectives:

- Preventing, detecting and deterring misconduct in the capital markets; and
- Building support for compliance and good practice.

Applying a principles-based approach to the above objectives, two areas were identified as high risk deficiencies, namely non-compliance with anti-money laundering requirements and poor implementation efforts relating to customers' due-diligence processes. In addressing these issues, targeted and thematic supervision examinations were conducted to assess the adequacy of intermediaries' respective Anti-Money Laundering/Combating Terrorist Financing (AML/CFT) frameworks, and their efforts in complying with regulatory requirements. The outcome of this thematic exercise has been positive, gauging from the intermediaries' increased awareness of AML issues and best practices. Complementing the self-driven

examinations, joint examinations were also conducted with BNM in assessing the adequacy of the investment banks' Anti-Money Laundering and Anti-Terrorism Financing frameworks.

In addition to the thematic examinations, the SC conducted surprise visits on intermediaries with weaknesses relating to compliance, operational and financial risks. Risk-focussed audits were also conducted to assess intermediaries' compliance with regulatory requirements. Consequently, the SC instituted administrative actions against intermediaries for conduct-related issues and initiated four administrative proceedings, covering a wide range of issues.

While the examinations conducted on broking intermediaries were aimed at detecting non-compliances, equal emphasis was placed on preventive efforts such as improving the standard of governance. On this note, the SC conducted a survey on the proportion of independent directors within boards of intermediaries. Shortcomings identified during the survey's results were addressed through engagements and instituting appropriate actions to remedy the situation.

As part of the process to achieve effective supervision backed by appropriate deterrence in enforcement, the supervisory work has focussed on:

- Continuing to work in partnership with the industry to strengthen anti market abuse systems and controls,
- Conduct onsite and off-site examinations of intermediaries,
- Conduct thematic reviews,
- Active engagement with boards of directors and relevant parties,
- Appropriate administrative actions for breaches of regulatory requirements, and
- Proactive and early detection and identification of stock and bond market manipulation activities (see Table 1).

ENSURING SYSTEMIC STABILITY TO STRENGTHEN RESILIENCE TO GLOBAL RISKS

The recent global credit crisis has underlined the complexity, globalisation and interconnectedness of

financial activities and products. It is now glaringly apparent that financial disruptions may result in contagion effect across national boundaries, markets and sectors. Malaysia's market and market intermediaries remained resilient and stable despite the global financial and economic turmoil, largely as a result of efforts taken over the years to strengthen risk management, prudential supervision and systemic oversight. During the year, the SC intensified efforts to identify potential sources of systemic risks including examinations of systemically important institutions.

Periodic assessments were conducted on the capital adequacy position of investment banks and stockbroking companies vis-à-vis their exposures. As at end December, the industry's average RWCR stood at 36.46% and the capital adequacy requirement (CAR) was 12.31 times as compared to the minimum requirement of 8% or 1.20 times. As at end December, the realised and unrealised exposure of stockbroking companies was RM402 million, supported by a strong capital base of RM10.34 billion.

On the investment management industry, the extensive engagements with fund managers and enhancements made to regulatory filings have strengthened our risk profiling exercise and assessment methodology. Leveraging on this, we continued our monitoring of fund managers' and funds' investment patterns in terms of asset allocation, movements in assets-under-management as well as sales and redemption trends. This has provided a timely overview and monitoring of industry trends and facilitated better anticipation and handling of risks and issues.

In the continuous efforts to ensure that the Malaysian market remains the preferred fund-raising centre for Malaysian companies and foreign issuers, the SC conducts regular analysis and risk assessment on trading and price volatility to identify any emerging risk factors in the secondary market. This initiative was intended to ensure that the bond market continues to provide a cost-efficient alternative method of financing the longer-term funding requirements of issuers, and to allow for the greater diversification of the sources of funds vis-à-vis the banking and equity sectors. Against this backdrop, the domestic bond market witnessed a steady growth in 2010, with an increase of RM119 billion to RM763 billion, of which, RM319 billion were private debt

Table 1

Heightened supervision on licensed capital market intermediaries

Supervisory function	Details
Investment Management Supervision	<ol style="list-style-type: none"> 1. Conducted eight examinations to assess compliance to regulatory requirements. 2. Revocation of a fund manager's licence due to breaches of regulatory requirements, furnishing of false and misleading information to the SC and engaging in deceitful and improper business practices. 3. Penalty of RM100,000 imposed on a fund manager for failure to have adequate measures to safeguard clients' assets as well as policies and procedures to address conflicts of interest situations.
Intermediary Supervision	<ol style="list-style-type: none"> 1. Conducted three risk focussed examinations to assess compliance to regulatory requirements, four thematic examinations on anti-money laundering requirements and three investigative examinations on market misconduct. 2. Penalty of RM275,000 imposed on a futures broker for allowing unlicensed persons to execute clients' orders and violating anti-money laundering requirements and Rules of Bursa Malaysia Derivatives Bhd. 3. Penalty of RM125,000 imposed on a broker for allowing unlicensed persons to execute clients' orders and violating Rules of Bursa Malaysia Securities Bhd. 4. Administration action against two individuals for dealing in the futures market without holding a CMSRL.
Licensing	<ol style="list-style-type: none"> 1. Administration action against three CMSRL holders for market misconduct. The misconduct was on intra-day short selling offences and unauthorised usage of another licensed representative's account to execute short selling trades. The licenses of the CMSRL holders were suspended and penalties were imposed. 2. Financial fine on a company licensed to advise on corporate finance for failure to submit its application for licence renewal not later than 30 days before the expiry of its licence.
Market Surveillance	<ol style="list-style-type: none"> 1. Detailed review was conducted on 38 cases involving various suspected market offences, of which 24 cases involving more than 190 suspects were considered for regulatory action. 2. Early detection and identification of suspicious trades where suspects created false or misleading appearance activities and other stock market manipulations activities. Additionally, the SC had directed Bursa to take appropriate regulatory actions at an early stage to prevent such irregularities from disrupting the fair and orderliness of the market.
Financial and Corporate Surveillance	<p>Conducted 107 meetings with relevant parties. Our surveillance efforts uncovered the following transgressions:</p> <ol style="list-style-type: none"> 1. Siphoning-out funds via a range of carefully designed schemes and dubious transactions by certain PLCs. 2. Inadequate or non-transparent disclosure of information, transactions and corporate arrangement by a number of PLCs, causing speculation in trading in the securities market. 3. Window dressing of financial statements and misapplication of the FRS by a number of PLCs by not amortising or impairing value of assets. 4. Irresponsible acts by key officers and questionable management decisions that gave rise to conflict of interest. 5. Structuring of schemes and transactions with the intention to circumvent regulatory requirements.
Bond Market	<p>Reviewed the trading activities of 221 issuers with outstanding corporate bonds and observed the following irregularities:</p> <ol style="list-style-type: none"> 1. Cross-trades to circumvent regulatory requirements. 2. Execution of bond trades that were not in the best interest of clients. 3. Trading among a number of parties to inflate the prices that were suspected to have arrangements to share the profit via side-payments.

securities (PDS) (Dec 2009: RM644 billion of which, RM301 billion were PDS). As a reaction of the quality of Malaysia's corporate bond market, it is worth noting that the corporate securities default rate remained relatively low at 0.48% in 2010 (2009: 0.36%).

On the exchange front, the changing competitive dynamics within its landscape has exerted greater commercial pressures on traditional exchanges to focus on liquidity as the key driver of earnings. In light of this, the SC devoted significant resources to the oversight of Bursa Malaysia,

to ensure that it adequately balances its front-line regulatory functions with its commercial and developmental activities. The annual examination on Bursa Malaysia focused on the operational efficiency of its trading, clearing and settlements systems as well as the resilience of the risk management framework of its clearing houses against systemic risk. Additionally, the SC conducted regular evaluation of Bursa Malaysia's operations to ensure that it performs its regulatory obligations as required under the CMSA and conforms to the expectations of stakeholders. Complementing the annual examination on Bursa Malaysia, routine engagements were also conducted to ensure that it monitors its members' compliance of its rules and, if necessary, initiates enforcement action in respect of non-compliances.

REGULATORY DEVELOPMENT TO ENCOURAGE MARKET EFFICIENCY

Facilitating the development of the derivatives market

Following the strategic partnership between Bursa Malaysia and CME Group Inc (CME) in 2009, Bursa Malaysia Derivatives Bhd (BMD) successfully migrated all its derivative products onto CME's electronic trading platform (CME Globex) in September. The migration is expected to increase the presence of BMD's products globally as well as allow greater access and reach of these products to international players.

The SC exercised close oversight throughout the migration process to ensure a smooth transition to the new system and to ensure that the CME's trading processes adopted were beneficial to the Malaysian market. It was also important to ensure that the systems and processes were aligned against the best international practices, including those that were helpful in mitigating the risks associated with the .ash crash which occurred in the US markets in May.

Recognition of Bursa Malaysia as approved Designated Offshore Securities Market

To ease trading processes for investors based in the US, the SC facilitated the application made by Bursa

Malaysia to the United States Securities and Exchange Commission (US SEC) to be recognised as a Designated Offshore Securities Market. In September, the US SEC recognised Bursa Malaysia and the electronic trading platform operated by Bursa Malaysia Bonds Sdn Bhd (Bursa Malaysia Bonds) as a designated offshore securities market under Regulation S of the *United States Securities Act of 1933*. With this recognition, US based investors are now able to trade in all securities listed on Bursa Malaysia, and Malaysian shelf-listed bonds on Bursa Malaysia Bonds without being subject to the registration requirements imposed by US federal securities laws.

Promoting consolidation of standalone brokers

The SC has been encouraging consolidation of the stockbroking industry to strengthen the capital market through the creation of a group of well-capitalised stockbroking companies that could provide efficient and cost effective intermediation of services and withstand the competitive pressures arising from liberalisation in the domestic market and globalisation.

During 2010, there remained seven standalone stockbroking companies that had not consolidated due to the limited choice of merger partners. This has necessitated an alternative option for these standalone stockbroking companies to enable them to grow with the industry and be treated equally with other consolidated stockbroking companies.

The alternative mechanism requires standalone stockbroking companies to commit investments to strengthen their operational framework and to contribute to an industry development fund. The firms would be deemed to have met the consolidation policy subject to an assessment of their strengthened operational framework. As at end December 2010, the SC had approved the proposal by the seven standalone stockbroking companies to strengthen their operational framework and promote investment into the stock market. With this approval, the standalone stockbroking companies are now able to undertake activities permitted for a 1+1 stockbroking company and shall be recognised as a 1+1 stockbroking firm upon fulfilment of all the proposals set out in their plans to strengthen their

operational framework and promote investment into the stock market.

eDividend system launched

As part of the government's national agenda of migrating towards electronic payment platforms, the SC worked with Bursa Malaysia to develop the eDividend model, which was successfully implemented in the third quarter. With the eDividend system in place, cash dividends would be paid directly into shareholders' bank accounts from PLCs which announce a book closing date on or after 1 September.

Since the eDividend registration process started on 19 April, a total of 733,000 account holders, representing 39.62% of total CDS accounts with securities holdings, have registered for eDividend. As at the end of December, 279 companies had announced that they would elect eDividend payment and 250 companies had successfully elected the eDividend payment.

e-Share Payment platform

The e-Share Payment initiative, which was rolled out in August, has enhanced efficiency in the payment and settlement systems within the capital market.

With e-Share Payment, share sales proceeds can now be paid by the stockbroker directly into the investors' bank accounts. Investors enjoy faster access to funds as the monies are made available in their bank account on the same day. Clients who switch to e-Share Payment benefit from greater cost savings and convenience provided by same day fund availability at lower transaction cost. Market intermediaries would then also benefit from the overall enhanced operational efficiency via usage of technology.

The response was encouraging, with more than half of the stockbroking industry offering the service by year end. The rest initiated the necessary system modifications required to offer e-Share Payment services.



Part Three

Strengthen Market Competitiveness

STRENGTHEN MARKET COMPETITIVENESS

INTRODUCTION

Asia continues to be an attractive destination for capital market activities leading to the entry of many global and international players wishing to take advantage of the growing economy. To leverage on their interests in Asia, we focussed our initiatives in 2010 on strengthening the regulatory framework and improving governance of the Malaysian capital market while at the same time fostering greater regional integration and co-operation especially among ASEAN countries. De-regulation and market development were coupled with improved enforcement and surveillance to ensure good governance and investor protection.

Malaysia also continued to strengthen its position as an international Islamic financial centre. A number of significant developments and key resolutions to accelerate growth were complemented by intensive efforts by the SC in 2010 to promote and internationalise Malaysia's Islamic capital market (ICM).

The year also marked the final year of implementation of the SC's Capital Market Masterplan (CMP), the 10-year blueprint for a comprehensive and structured development of the Malaysian capital market. Much work has also been put into the next capital market masterplan (CMP2) to chart the strategic direction for the next 10 years to support Malaysia's economic transformation and the achievement of sustainable economic and social goals appropriate to a developed nation.

INITIATIVES TO IMPROVE THE MARKET

Private Pension Fund Framework

A major initiative to provide retirement savings for Malaysians through the capital market was the initiative

announced by the Prime Minister in the 2011 Budget in relation to the establishment of a private pension framework which will be launched by the end of 2011.

The objective of developing the private pension industry is to broaden the range of retirement savings vehicles to supplement the existing mandatory retirement schemes, in particular, the Employees Provident Fund (EPF). This is to promote and facilitate voluntary savings, over and above the mandatory EPF contributions, by individuals who have disposable income to save as well as by employers on behalf of their employees, in order to improve post-retirement income levels. This initiative would also create a new growth industry that would provide an additional source of long-term capital for economic development in Malaysia and result in positive spill-over benefits to the capital market in terms of increased product innovation, market activity and liquidity.

Key aspects of the framework involve suitably qualified private pension providers offering a range of pension products via an efficient administrative system. Underpinning this framework will be a strong regulatory structure and supervisory oversight to promote market confidence and safeguard the interests of contributors.

The proposed private pension framework will be based on broadly-accepted international principles for private pension regulation and supervision and will take into account a review of the various options within the pension landscape. It will also consider the experiences of other countries that have a successful private pension industry.

Multi-class structure for unit trust

The investment management industry continued to be incentivised when the *Guidelines on Unit Trust Funds* and

Prospectus Guidelines for Collective Investment Schemes were amended on 1 June to facilitate a multi-class structure for unit trust funds, giving investors more flexibility as well as encouraging the growth of cross-border offerings of Malaysian unit trusts.

The multi-class structure as stated in the amended guidelines enables a unit trust to offer different features tailored to different investor groups. It may also offer classes of units denominated in different currencies to allow investors holding foreign currencies to invest directly into a fund denominated in the appropriate currencies as opposed to converting their investment sum into the fund's base currency. In addition, a multi-class fund can also be established on other bases of differentiation provided there are sufficient disclosures about the features of each class. As such, investors will be able to choose the class that best suits their preferences and investment objectives.

The amendments are also expected to facilitate the growth of cross-border offerings of Malaysian unit trust funds under the mutual recognition agreements (MRAs) which the SC has signed with the Dubai Financial Services Authority and the Securities and Futures Commission Hong Kong. For funds with ringgit Malaysia base currency, investors holding foreign currencies can now invest directly into a class of units denominated in that foreign currency as opposed to converting their investment sum into ringgit Malaysia.

Industry Transformation Initiative

The Industry Transformation Initiative (ITI), funded by the Capital Market Development Fund (CMDf), was launched in July 2007 with the objective of enhancing market professionalism by strengthening technical skills and competencies of market intermediaries to boost investor confidence. Since its launch, a total of 39,018 participants have been trained under ITI. In 2010, 186 courses from 15 ITI modules were conducted with a total of 13,825 participants attending.

Islamic capital market

Malaysia continued to strengthen its position as an international Islamic financial centre through various

Capital Market Masterplan 2

Malaysia's first Capital Market Masterplan, which was launched ten years ago, provided a holistic framework for the orderly development of the capital market and was successfully implemented with the completion of 95% of the 152 recommendations.

The Capital Market Masterplan met its objectives of building a capital market that was internationally competitive in core areas to meet the country's capital and investment needs and to support long-term nation-building as well as to put in place a regulatory and institutional framework that provided levels of investor protection comparable to leading international jurisdictions.

It provides a strong foundation for the second Capital Market Masterplan (CMP2) to map the strategic directions that will transform the competitive dynamics of the capital market to meet the challenges of the next decade.

The formulation of CMP2 occurs at a critical juncture where the twin challenges, of global economic uncertainty, and domestic economic transformation with the implementation of initiatives under the New Economic Model (NEM) and National Key Economic Area (NKEA), require a re-positioning of the capital market to support achieving national aspirations for high, sustainable and inclusive growth.

In this regard, capital markets are an important aspect of the transformation process given that deep and broad markets are a necessary pre-requisite for the private sector to expand their role in intermediating savings for all segments of the population

initiatives. Amidst the uncertainties of the global financial system in the aftermath of the recent crisis, the ICM went through many positive developments. In line with maintaining an innovative approach in product design, the Malaysian ICM recorded a number of achievements in the structuring of sukuk and the institutionalisation of laws within a Shariah governance framework as well as played host to a number of high-profile branding and capacity building programmes.

The year 2010 also presented the Islamic finance industry with many opportunities to promote the virtues of a Shariah-compliant financial system.

and to undertake capital-raising to finance private sector investments.

The expansion of the role of the capital market in the Malaysian economy will therefore be an important objective. As the Malaysian capital market landscape becomes characterised by high levels of product and service innovation and becomes increasingly integrated with global markets, the management of risks will be a key challenge.

Sustaining investor confidence will require the strengthening of regulatory oversight to protect investor interests while growing interconnectedness of markets and products will also require more vigilant management of risks to market stability.

CMP2 will therefore outline the growth strategies to address key structural challenges and critical linkages to create a conducive environment for innovative private sector intermediation and to expand the growth boundaries of the capital market. It will also outline the strategies to ensure robust governance arrangements to manage the risks from more diverse intermediation activities to investor protection and market stability.

Overall, well-regulated markets will strengthen the efficiency of capital allocation and provide a facilitative environment for the private sector to function as a source of dynamic growth. Regulations will play a crucial role in defining the governance arrangements to reinforce investor trust and confidence in the integrity of markets and to ensure widespread social acceptance of growth-enhancing financial innovation.

Progress in sukuk market

Malaysia once again proved its strength as a leader in sukuk origination with Cagamas Bhd's issuance of Sukuk al-Amanah Li al-Istithmar (Sukuk ALIm). Sukuk ALIm is a type of mixed-asset sukuk, comprising 51% tangible *ijarah* assets and 49% intangible *bai' bithaman ajil* receivables, which adopts the Shariah principles of *ijarah* (lease transaction), *bai'* (sale of assets), *wakalah* (contract of agency) and *bai' bithaman ajil* (sale of assets with deferred payment). Sukuk ALIm is tradable in the secondary market.

Another notable exercise was the up to RM4.2 billion Sukuk Ijarah Programme by Celcom Transmission (M) Sdn Bhd (CTX). The sukuk structure involved a head lease and sub-lease between CTX and investors. For a one-off rental payment, CTX will lease telecommunication towers and network assets to investors under a 100-year term head lease agreement. The sukuk issued represents the investors' proportionate, undivided beneficial interest, i.e. *manfa'ah* (usufruct) in the *ijarah* assets, pursuant to the head lease agreement, and entitles the investors to the rental under the sub-lease agreement entered with CTX.

The Budget 2011 proposal, that expenses for the issuance of Islamic securities which adopt the principles of *murabahah* or *bai' bithaman ajil* based on *tawarruq* (tripartite arrangement) be tax deductible, was introduced with the objective of maintaining the competitiveness of the sukuk market. This incentive will commence from year of assessment 2011 until year of assessment 2015. Aside from benefiting sukuk issuers who utilise any commodity trading platform in facilitating the sukuk issuance, this tax incentive also aims to strengthen Malaysia's position as the leading sukuk market.

Islamic fund management hub

Re-ecting Malaysia's value proposition as the global hub for dedicated Islamic fund management companies, the SC approved another four Islamic fund management licences for the year, bringing the number of full-edged Islamic fund management companies to 15. Of the four newly-approved companies, two are foreign-owned, namely, Franklin Templeton GSC Asset Management Sdn Bhd and Saturna Sdn Bhd. The other two fund management companies were OSK-UOB Islamic Fund Management Bhd, a joint venture between a foreign and local entity, and Muamalat Invest Sdn Bhd.

Strengthening the SAC

The Shariah Advisory Council (SAC) of the SC has been instrumental in the development of innovative Islamic financial products and services, and played a key role

in transforming the niche ICM into a core component of the Malaysian capital market. The amended *Capital Market and Services Act 2007* (CMSA), which came into force on 1 April 2010, has strengthened the role of the SAC. Pursuant to the amendments, the SAC is empowered to make rulings on any Shariah matter relating to an ICM business or transaction that is referred to it by any court, arbitrator, industry participant or other parties.

New Shariah Advisory Council members

Following the amendments to the CMSA, His Majesty the Yang di-Pertuan Agong appointed 11 new members of the SAC. The appointment of these members, who are well-versed in *fiqh al-muamalah* (Islamic law relating to financial transactions), Islamic jurisprudence, Islamic finance and other relevant disciplines, took effect from 1 July 2010 for a period of two years.

Dr Mohd Daud Bakar, President/CEO of Amanie Business Solutions Sdn Bhd, is the Chairman of the SAC and the members are:

- Tun Abdul Hamid Haji Mohamad, Former Chief Justice of the Federal Court, Malaysia
- Tan Sri Sheikh Ghazali Haji Abdul Rahman, Shariah Legal Advisor, Attorney General’s Chambers
- Datuk Haji Md Hashim Haji Yahaya, Very Distinguished Academic Fellow of Ahmad Ibrahim

Kulliyyah of Laws, International Islamic University Malaysia

- Dato’ Dr Abdul Halim Ismail, Former Executive Director of BIMB Securities Sdn Bhd
- Associate Professor Dr Shamsiah Mohamad, Lecturer, Department of Fiqh and Usul, Academy of Islamic Studies, University of Malaya
- Professor Mohammad Hashim Kamali, Founding Chairman and CEO of the International Institute of Advanced Studies, Malaysia
- Professor Dr H. Fathurrahman Djamil, Vice Chairman of Fatwa Commission of Indonesian Council of Ulama
- Assistant Professor Dr Aznan Hasan, Department of Islamic Law, Ahmad Ibrahim Kulliyyah of Laws, International Islamic University Malaysia
- Ahmad Suhaimi Yahya, Chief Officer and Regional Head of Shariah, Kuwait Finance House (Malaysia) Bhd
- Rafe Haneef, CEO, HSBC Amanah Malaysia Bhd

Registered Shariah advisers

In the area of compliance, Shariah advisers form the backbone of the ICM industry. In this respect, it is crucial that only qualified individuals and corporations provide advice on all Shariah-based products and services regulated by the SC. This is in line with the requirement as set out in the *Registration of Shariah Advisers Guidelines*.

Table 1
Key resolutions by the SAC in 2010

<i>Ijarah mudhafah ila mustaqbal</i> (Future lease)	<i>Ijarah mudhafah ila mustaqbal</i> contract is permissible in the Shariah.
<i>Hamisy jiddiyyah</i> (security deposit) in <i>ijarah</i> contract	The application of <i>hamisy jiddiyyah</i> in <i>ijarah</i> contract is permissible. The purpose of this payment is to secure the asset for the potential lessee to lease the asset. The lessor has the right to invest the <i>hamisy jiddiyyah</i> paid by the lessee subject to permission obtained from the lessee.
<i>Urbun</i> (down payment) in <i>ijarah</i> contract	The application of <i>urbun</i> in <i>ijarah</i> contract is permissible. The payment of <i>urbun</i> is made at the execution of <i>ijarah</i> contract.
Underlying asset of Islamic capital market products insured under conventional insurance policy.	All underlying assets of Islamic capital market products must be covered using <i>takaful</i> policy. However, if the <i>takaful</i> operator could not afford to offer such services, the asset owner can opt for conventional insurance policy. If the asset has been covered under conventional insurance policy upon entering into the contract, the said insurance policy can still be used until its expiry date. Upon its expiry, the asset owner must renew it with <i>takaful</i> policy. This ruling only applies to <i>ijarah</i> assets.

As in the previous years, several new registrations from individuals and corporations, both local and foreign were seen this year. As at end 2010, the SC registered a total of 46 individuals and 11 corporations. Of these, six individuals and five corporations were foreigners.

Avenue for intellectual discourse

It is widely acknowledged that there is a need for ongoing discussion and debate on the contemporary issues and challenges faced in bringing Islamic finance into the mainstream. As part of our commitment to provide an avenue for intellectual discourse and bring about a greater awareness and understanding among scholars, industry practitioners, regulators, intermediaries and investors, both local and international, the SC collaborated with the Oxford Centre for Islamic Studies (OCIS) two years ago on the recommendation of our International Advisory Committee (IAC). The result was the high-profile inaugural SC-OCIS Roundtable and Forum held in March. The roundtable looked into “Developing a Scientific Methodology on Shariah Governance for Positioning Islamic Finance Globally”, while the public forum was on the theme “Contribution of Islamic Finance Post Global Financial Crisis”.

Prominent international Islamic finance experts including Dr Mohamed Ali Elgari, Dr Abbas Mirakhor, Abdulkader Fomaz, Dr Mohamed Nedal Alchaar, Professor Habib Ahmad, Mushtak Parker, Dr Habib Ahmed, Dr Salman Ali and Davide Barzillai, joined Malaysia’s own experts, Professor Mohammad Hashim Kamali, Dr Mohamed Akram Laidin, Badliyah Abdul Ghani, Dr Mohd Daud Bakar, Rafe Haneef and Andri Aidham, in providing insightful comments, ideas and inputs.

The SC also continued to organise various capacity-building programmes with a view to developing new talent and strengthening skills and knowledge among existing ICM professionals.

- The 4th International Islamic Capital Market Forum (IICMF) themed “Sukuk: Transferring the Best Practices” addressed a wide range of global issues

affecting the growth and development of sukuk. These range from legal to regulatory frameworks for sukuk including cross border issues, tax and accounting, the Shariah governance framework and the various components that make sukuk an efficient investment vehicle. A line-up of renowned speakers comprising practitioners and Shariah scholars from both the local and international markets, which include Iqbal Asaria, Ferzana Haq, Dr Aznan Hasan and Mohammad Faiz Azmi, were invited to share their thoughts and experiences.

- The 5th Islamic Markets Programme (IMP), themed “Gearing Up to Meet Future Challenges” and presented by renowned local and international experts over five days, saw the participation of delegates from several countries, including Bangladesh, Vietnam, Laos, Pakistan, Tunisia, Thailand, Nigeria, Morocco, Indonesia, Sri Lanka, Uzbekistan, Iran and the Philippines.
- The 6th Shariah Advisers’ Workshop, which examined “Shariah Tools and Application: Contemporary Issues and Challenges” provided Shariah advisers with the knowledge and understanding of relevant Shariah tools such as *wa’d* (unilateral promise), *ju’alah* (reward), *wakalah* (agency) and *tanazul* (waiver), and their applications in Shariah product structures and Islamic financial transactions.
- Following the success of the maiden Islamic Capital Market Graduate Training Scheme (ICMGTS) – jointly developed by the SC and SIDC – the second and third rounds of the seven-week training programme were held. Students attended a combination of structured and experiential learning comprising lectures, case studies, simulation and interaction to help equip them with the necessary technical knowledge and skills to prepare them for entry into the industry.
- The International Shariah Investment Convention (ISIC), which the SC jointly organised with Bursa Malaysia and Amanie Business Solutions, focused on finding the right path to help the Islamic finance industry, particularly Islamic funds and sukuk, to

regain the momentum they had previously built prior to the global financial crisis. The key objectives were to discover the path to recovery and to initiate innovative products and structures in the journey to unlock the potential of Islamic investments and sukuk in a cross border environment.

- The “Expert Talk” series entitled “Islamic Profit Rate Swap” discussed the application of risk management tools for Islamic financial institutions and corporates to meet the market challenges.

Developing the venture capital industry

Recognising the importance of venture capital (VC) funding as an alternative financing source for entrepreneurs, and that VC investments in high growth sectors are instrumental in propelling Malaysia’s move towards an innovation-led economy, the SC and the Malaysian Venture Capital Development Council (MVCDC) continued to actively support the industry through various efforts and initiatives.

To strengthen the funding eco-system, the MVCDC supported the launch of a formalised angel network managed by professionals known as the Virtuous Investment Circle. This formal network will facilitate VC investments in seed and start-up companies by private investors and is a step in the right direction towards achieving a private-sector led funding landscape.

The MVCDC continued to play an active role as an adviser to the government on overall development of the VC industry, where it provided input and advice through its representation in the National Co-ordination Task Force on Innovation (JTPIIN).

As a conduit between policy makers and industry players, the MVCDC continued to undertake engagements with VC stakeholders by organising discussions with institutional investors as a follow up from the initial closed-door dialogue with institutional funds held in 2009. The objective was to identify specific issues or problems faced by such institutional funds in VC investment and to provide technical clarification on such investments.

Initiatives to develop skill sets and create awareness of VC included facilitating a three-day workshop with the theme “Executive Investment Management Workshop for Institutional Investors” that was jointly-organised by MVCA and Asia Private Equity Research Limited (HK). Attendees were representatives from domestic institutional funds and VC as well as private equity (PE) companies interested in deepening their understanding on VC or PE investments.

In line with the aim of developing the Islamic VC industry, the MVCDC also supported MVCA’s Islamic Venture Capital and Private Equity Conference 2010 held from 28 to 29 September 2010. This was the third of such events organised by MVCA with the support of MVCDC. Results have been encouraging as we have seen an increase in the number of registered Islamic VCs since the SC’s issuance of the *Guidelines and Best Practices on Islamic Venture Capital* in 2008. Additionally, the MVCDC, in collaboration with the Multimedia Development Corporation organised an industry briefing on the development and future direction of the local content industry on 8 April 2010.

The year 2010 also saw the listing of Malaysian Genomics Resource Centre Bhd on the ACE Market of Bursa Malaysia. As the entity which provides certification for VC incentives, the SC has reviewed four applications for VC tax incentive under the *Venture Capital Tax Incentives Guidelines*.

Licensing of foreign stockbroking and fund management companies

Interest to establish operations in the Malaysian capital market remained high, given the continued liberalisation of our licensing requirements over the past years and the potential of the local market as a gateway to the region. This interest was especially evident from local and foreign asset management companies in both the conventional and Islamic asset management segments. This resulted in the establishment of fund management operations by two leading global firms, Franklin Templeton GSC Asset Management Sdn Bhd and Goldman Sachs (Malaysia) Sdn Bhd.

†he year also saw the granting of licence to Citigroup Global Markets Malaysia Sdn Bhd to operate as a stockbroking company. Additionally, in Budget 2011, it was unveiled that the SC will offer three new stockbroking licences to eligible local, foreign or joint venture companies.

INTERNATIONAL COLLABORATIONS

Promoting integration of ASEAN capital markets

†he SC is a member of the ASEAN Capital Markets Forum (ACMF), which is a high level grouping of ASEAN securities regulators created under the auspices of the ASEAN Finance Ministers, to provide a platform for securities regulators to discuss key regulatory and developmental issues in the region. †he SC was the Chair of the ACMF for three years from 2006–2008.

†he ACMF drafted an implementation plan to promote the development of an integrated capital market to achieve the objectives of the ASEAN Economic Community Blueprint 2015 (Implementation Plan). †he Implementation Plan was endorsed by the ASEAN Finance Ministers at its meeting in †ailand on 9 April 2009.

As part of the initiatives under the Implementation Plan, the SC leads the Working Group on the promotion of cross-listings on ASEAN exchanges and corporate governance ranking of ASEAN public-listed companies. †he Working Group's efforts currently focus on developing a mechanism to facilitate cross-listings between ASEAN member countries, as well as developing a methodology to rank ASEAN public-listed companies based on compliance with international standards of corporate governance. It is envisaged that stronger governance measures will attract strategic investments into the ASEAN equities market, and enhance the overall attractiveness of ASEAN public-listed companies. †he initiative will further complement the branding of leading ASEAN companies which will be made available via the ASEAN Exchange link.

ASEAN Framework Agreement on Services

Negotiations on financial services liberalisation under the ASEAN Framework Agreement on Services (AFAS) are

conducted through the Working Committee on ASEAN Financial Services Liberalization (WCFSL) that reports to the ASEAN Finance Ministers' process. †he SC leads the negotiations on capital market services.

In 2010, the WCFSL met to negotiate market access offers and requests for the Fifth Package of Commitments on Financial Services. Unique to the 5th Package, member countries are developing their respective safeguards or pre-agreed flexibilities. †he safeguards are a list of financial laws and national policies to ensure ASEAN members have the flexibility to safeguard certain measures, including those intended for liberalisation. Tied closely to the Schedule of Commitments (SOC) provided by each country, the safeguards will form an integral component of the ASEAN Economic Community blueprint, as part of Malaysia's commitment to liberalise trade, in goods and services, in the region in line with the vision to create the ASEAN Economic Community by 2015.

Free Trade Agreements

In addition to the ASEAN negotiations, Malaysia pursued trade agreements with several key trading partners in 2010. †he SC supports the government's initiatives to enhance co-operation and trade with strategic partners, by providing capital market input in government-to-government negotiations.

†he year 2010 saw Malaysia concluding an free trade agreement (FTA) with India, also called the Malaysia-India Comprehensive Economic Co-operation Agreement (MICECA). Malaysia also has on-going bilateral negotiations with Australia, which are targeted for conclusion in 2011. In October 2010, Malaysia formally joined the Trans-Pacific Partnership (TPP), a plurilateral agreement comprising eight other countries including the US, Chile, Peru, Australia, New Zealand, Singapore, Brunei and Vietnam. †he TPP aims to be a high-standard 21st century trade agreement, providing an excellent platform for all member countries to realize the creation of a huge market that includes the US and other large economies from the Asia Pacific region. Negotiations are currently underway and targeted for conclusion in 2012.

In addition, Malaysia is expected to formally begin negotiations with the European Union under the Malaysia-EU Free Trade Agreement (MEUFTA) by end 2010.

The government has embarked upon these FTAs with the objective of improving trade, in goods and services, investments and other areas identified. These efforts are expected to benefit the economy, and lead Malaysia on the path towards continued growth and development.

Memoranda of Understanding

The SC signed a memorandum of understanding (MoU) with the Capital Markets Board of Turkey (CMB) in April, paving the way for closer regulatory collaboration between the two capital market regulators.

The SC also signed a MoU with the Qatar Financial Markets Authority (QFMA) in December, to strengthen the relationship between Malaysia and Qatar, and to foster closer regulatory ties and co-operation.

Mutual Recognition Agreement bearing fruit

Following the mutual recognition agreement entered into between the SC and the Dubai Financial Services Authority (DFSA) to facilitate the cross border distribution and marketing of Islamic funds between Malaysia and the Dubai International Financial Centre (DIFC), Prudential Fund Management Bhd has launched its Prudential Shariah Opportunities-Asia Pacific Equity Fund in the DIFC in December 2010. This positive development further encourages cross-border flow of Islamic funds and reaffirms the commitment to mutual growth of the two major Islamic markets.

ASEAN Roundtable on Corporate Governance

As part of our continued commitment to the OECD Asian Roundtable on Corporate Governance (ARCG), the SC, in collaboration with Bursa Malaysia, hosted the working group meeting of the ARCG on 25 and 26 May.

The ARCG is an initiative of the Organisation for Economic Co-operation and Development (OECD) in partnership with the Government of Japan, to improve corporate governance in Asia through informal peer

review of corporate governance policy frameworks and practices. The discussions centered around efforts to implement recommendations contained in OECD's 2003 White Paper on Corporate Governance in Asia, key challenges faced, as well as future priorities on enhancing corporate governance in the region. Priority areas identified for the next white paper included reducing the gaps between standards and performance, enhancing enforcement efforts, board performance and quality, corporate disclosures and the role of stakeholders.

Themed "Towards Corporate Governance Excellence", 2010 CG Week, the second in the series, enabled stakeholders in the corporate governance process to exchange information, experience and knowledge about best practices through a series of roundtables, panel sessions and forums.

Malaysia now an approved destination for China's Qualified Domestic Institutional Investors

On 23 June, Malaysia achieved a significant milestone when the SC and the China Banking Regulatory Commission (CBRC) signed letters of exchange on regulatory co-operation relating to the overseas wealth management business of China's commercial banks on behalf of their clients. With the signing of the letters of exchange, Malaysia joined 10 other countries namely Australia, Canada, Hong Kong, Germany, Japan, Luxembourg, Singapore, South Korea, the UK, and the US as approved investment destinations under China's Qualified Domestic Institutional Investors (QDII) scheme administered by the CBRC.

China's securities regulator, the China Securities Regulatory Commission (CSRC), also confirmed that the existing MoU signed with the SC on 18 April 1997 was sufficient to allow for investments under the QDII programme administered by the CSRC.

The QDII programme allows Chinese nationals to invest in overseas markets through approved institutions in a prescribed manner. Generally, the approved institutions include securities companies, fund management companies,

commercial banks, trust companies and insurance companies. With Malaysia being recognised as a QDII investment destination, approved institutions regulated by the CBRC and CSRC may now invest funds pooled from their clients into Malaysian securities, including equities, fixed-income products and collective investment schemes approved by the SC. Such Chinese institutions may also engage the services of licensed Malaysian fund managers to assist with QDII investment matters.

CFTC exemption for Malaysian brokers

This year the Malaysian derivatives industry achieved a significant milestone during the year when Malaysia received the Part 30.10 Exemption recognition from the Commodity Futures Trading Commission (CFTC) of the US in June 2010. This exemption attests that the Malaysian derivatives regulatory framework administered by the SC is comparable to that imposed by the CFTC on US market players.

With this recognition, Malaysian brokers can solicit and accept orders and customer funds directly from US customers for trading of derivatives products on Bursa Malaysia Derivatives Bhd without having to register as a futures commission merchant (FCM) with the CFTC. Malaysia joins 10 other countries, namely Australia, Brazil, Canada, France, Germany, Japan, Singapore, Spain, Taiwan, and the UK to have received this exemption from the CFTC.

Malaysia upgraded to advanced emerging market

A significant outcome of the SC's continued engagement with the international investment community is Malaysia's upgrade to Advanced Emerging Market status from Secondary Emerging Market within FTSE's Global Equity Index Series effective June 2011. This move by FTSE and international fund managers who participate in the FTSE assessments clearly acknowledges and endorses the maturity of the Malaysian capital market and the global recognition of its regulatory framework, which would lead to greater international participation in the Malaysian market.

Other engagements

Throughout the year, the SC continued to extend its assistance to its regulatory counterparts through training and other forms of technical assistance to visiting regulators. This year, the SC hosted 23 study visits by international regulators from, among others, Bangladesh, Kenya, Nigeria, Saudi Arabia, Sri Lanka, Tanzania, Uganda, United Arab Emirates, and Vietnam on areas including market supervision, collective investment schemes, securities issues, the Islamic capital market and investor education. The SC also responded to approximately 90 foreign enquiries in 2010, relating to various aspects of the regulatory framework governing the Malaysian capital market.

PROMOTING MALAYSIA'S CAPITAL MARKET

The SC continues to play an important role in promoting the capital market by strengthening the profile of Malaysia as an attractive investment and fund-raising destination which is underpinned by a strong and robust regulatory framework in order to ensure that the Malaysian capital market is attractive to both domestic and foreign investors.

In this regard, the SC achieved several milestones this year, which included organising several high-level and strategic international platforms such as the second edition of the World Capital Markets Symposium, the Royal Award for Islamic Finance and the 7th ASEAN Finance Ministers Investor Seminar, which collectively attracted more than 800 senior industry players from over 20 countries to Kuala Lumpur. The SC also continued to collaborate with Bursa Malaysia, the Malaysia International Islamic Financial Centre (MIFC), National Economic Advisory Council (NEAC) and Performance Management and Delivery Unit (PEMANDU) on numerous investor road shows across Europe, Middle East and Asia Pacific to facilitate in-depth discussions and debate, and strengthen regional co-operation between regulators and the international investment community.

Being proactive, the SC continues to engage with regional and international stakeholders to provide up-to-date information on significant developments and

7th ASEAN Finance Ministers' Investor Seminar – Discovering Tomorrow's ASEAN

The Ministry of Finance Malaysia and the SC co-organised the 7th ASEAN Finance Ministers' Investor Seminar (AFMIS) in November in Kuala Lumpur. The seminar was a high-level platform aimed at promoting ASEAN as an attractive investment destination and the branding of ASEAN as an asset class. The seminar was attended by approximately 300 participants comprising leading regional and international capital market players, investors and intermediaries.

Malaysia's Minister of Finance II, Dato' Seri Ahmad Husni Mohamad Hanadzlah hosted his counterparts from the ASEAN member countries, including HE Kong Vibol, Secretary of State, Cambodia; HE Agus Martowardojo, Finance Minister of Indonesia; HE Somdy Duangdy, Finance Minister of Laos; HE Cesar V Purisima, Secretary of Finance, Philippines; HE Tharman Shanmugaratnam, Finance Minister of Singapore, and HE Korn Chatikavanij, Finance Minister of Thailand.

the capital market via various one-on-one engagements, and via the circulation of *Capital.My*, an electronic quarterly publication to both domestic and international stakeholders.

The Royal Award for Islamic Finance

Efforts to raise the international profile of the Malaysian ICM were also intensified. The Royal Award for Islamic Finance was inaugurated by the SC and BNM as an initiative under the MIFC to identify and acknowledge a unique individual's outstanding contribution and impact towards the advancement of Islamic finance globally, beyond commercial achievements.

To establish and preserve the credibility and stature of the award, an independent jury panel consisting of seven eminent individuals – Shariah scholars, academicians and Islamic finance practitioners from around the world was convened.

The Deputy Yang di-Pertuan Agong and Sultan of Kedah, on behalf of the Yang di-Pertuan Agong, presented the Royal Award at a gala dinner and award presentation on 25 October to Shaikh Saleh Abdullah Kamel, Chairman and founder of the Dallah Al Baraka Group, in recognition of his visionary drive, extraordinary leadership and personal commitment to the advancement of Islamic finance globally.

Shaikh Saleh Abdullah Kamel's contribution to Islamic finance

Shaikh Saleh Abdullah Kamel's work over four decades has fast tracked the global adoption of Islamic finance and continues to have sustained financial, economic and social impact in the world.

In his efforts to inspire and develop future talent and innovation, Shaikh Saleh established the Islamic Economics Research Centre, King Abdulaziz University, the Jeddah Center for Science and Technology, the Saleh Kamel Centre for Islamic Economy, Al-Azhar University and the Saleh Kamel Center for Banking Studies and Research, King Saud University. The endeavours of these institutions have led to the development of many tools, techniques and edicts.

A key aspect of Shaikh Saleh's invaluable contribution is the annual Albaraka Symposium on Islamic Economics. Now in its 29th year, the Symposium is widely respected as a cornerstone of the development of Islamic finance, and has resulted in more than 150 edicts that feed research and innovation, representing the backbone and basis for the activities of many Islamic financial institutions.

World Capital Market Symposium 2010

‡ e SC hosted the second edition of the World Capital Markets Symposium (WCMS) themed “Transforming Capital Markets – Leadership, Change and Governance” from 27 to 28 September in Kuala Lumpur. ‡ is reverse road show once again, brought to Asia many notable speakers and prominent thought leaders in ŷnance and leadership such as Dr Nouriel Roubini, Professor of Economics and International Business, Stern School of Business, New York University; HE Dr Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission of India and architect of India’s reform programme; HE Haruhiko Kuroda, President of the Asian Development Bank; Jimmy Wales, Founder of Wikipedia; and venture capitalist, Timothy Draper, Founder and Managing Director of Draper Fisher Jurvetson besides featuring other prominent policy makers, regulators and captains of industry.

‡ e Symposium provided participants with varied perspectives and insights into the economic outlook and topical issues on leadership and governance. In conjunction with the WCMS, the SC organised several speaker roundtables with selected Malaysian ŷnancial leaders and policy makers. In line with the Government’s goal to transform Malaysia into a knowledge-based economy, the SC collaborated with the Multimedia Development Corporation (MDeC), for Jimmy Wales to share his vision and knowledge with a wider audience of young Malaysian technopreneurs and students at the Malaysian Multimedia University.

‡ e two-day Symposium received substantive positive feedback on the intellectual content, format and organisation of the Symposium.

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Part Four

Increase Our Capabilities and Effectiveness

INCREASE OUR CAPABILITIES AND EFFECTIVENESS

INTRODUCTION

Lessons that the SC has taken from the recent global financial crisis go beyond the confines of delivery of our regulatory, supervisory and gate-keeping functions. New challenges in capital market development, particularly in the regulation and supervision of more complex markets, and the need for greater attention to stability, risks and governance issues, demand the deepening of skill sets and productivity at all levels in the organisation.

The SC has been agile in responding to new issues on the human capital development front, focussing on two broad themes:

- Skills development to strengthen regulatory capacity to cater for a more mature capital market that is increasingly integrated globally; and
- Leveraging on information technology, knowledge and records management, as well as streamlining our internal processes and systems to enhance work efficiency and effectiveness.

Enhancing the organisation's capability and effectiveness is key to delivering our mandate as the capital market regulator and is aligned with the focus of the 10th Malaysia Plan which places higher emphasis on productivity through the upgrading of skills, as well the objective of the National Economic Model (NEM) to raise income levels by expanding our talent base through attracting and retaining talent and developing new skill sets.

In line with these national aspirations, the SC stressed our short and long-term planning assumptions and critically reviewed our strengths and weaknesses. We invested in nurturing a high performance culture through training programmes to broaden the skills and capacity

of existing staff and targeted recruitment drives. We also enhanced performance management systems against the backdrop of a conducive work environment.

STRENGTHENING REGULATORY CAPACITY AND SKILL SETS

Continuous learning and development

The SC provides its workforce with development opportunities on both technical skills and leadership competencies. Programmes were specifically developed to focus on functional proficiencies in the areas of market development, gate-keeping, surveillance, supervision and enforcement. Besides being exposed to the local training scene, our staff were also given opportunities to seek global exposure from various jurisdictions worldwide.

The SC has consistently allocated an average of 4% of staff salary annually over the past decade to implement learning and development initiatives. The set target for learning man days was increased to eight man days of training for each staff in 2010, compared to 6.5 – 7 days in the previous year. The higher target was in line with efforts to sharpen the learning curve in order to develop a pool of staff who would be sufficiently agile to respond to new developments. The increase also reflected the staff complement, with staff of less than five years experience now accounting for a higher proportion of the SC's professional workforce. Despite the intensive work demands of new initiatives as well as responses to issues associated with the global financial crisis, the SC achieved 7.11 days of formal classroom training in 2010. It is however, does not reflect the hours of learning and development obtained from on the job coaching and sharing sessions (brown bag and other similar sessions).

New leadership and core skills curricula

In 2010, the Leadership Excellence and Development (LEAD) curriculum was developed and implemented to enhance the leadership skills of staff in executive and managerial groups. The curriculum has three categories: LEAD classroom training, Book to Bag (B2B) and IMD Webcasts. Each category was designed to enhance and to bring out the potential leadership qualities of individual staff.

In November, the SC also developed and rolled out the pilot Core Capital Markets Curriculum which is a comprehensive training curricula in capital markets for Graduate Management Executives (GMEs), new recruits and for other relevant staff. The curricula ensures progressive learning and knowledge enhancement in capital market products and services. It also exposes them to different financial markets and issues of the financial world such as the recent global financial crisis, its causes, impact and implications for emerging markets. A total of 50 staff have completed the first block of the curriculum and they would continue with the remaining blocks in 2011.

A landmark development on the learning front undertaken in 2010 has been the joint collaboration (between the Malaysian judiciary, the Bar Council, the Attorney General's Chambers, BNM and the law schools) to design a high level advocacy effectiveness skills programme via the 'Hampel Method'. Devised by Professor George Hampel of QC Australia, the method requires participants to perform as advocates in a simulated courtroom environment under the guidance of highly experienced trained legal practitioners. The method regards "advocacy" as a performance skill in which the basic techniques are taught and refined by repeated practice.

Overseas exposure

The SC also sent staff for various overseas programmes ranging from the Australian Securities & Investments Commission (ASIC) Summer Programme, the UK Financial Services Authority (FSA) Risk Seminar, the Asia Pacific Economic Cooperation Financial Regulators' Training Institute (APEC-FRTI), the Asian Institute of Finance's Advanced Business Management Programme (ABMP), Korea Capital Markets Seminar, and the

Securities Enforcement and Market Oversight Programme in Abu Dhabi. The international experience and networking exposure derived from participation in these programmes have helped regulators involved in the planning and negotiation of bilateral and regional collaborations to sharpen their strategies, including leveraging on common objectives to maximise results from regional initiatives.

Attracting and retaining talent

The SC Scholarship programme has been an integral component of the SC talent pipeline and so far, more than 85 scholars have been successfully recruited into the SC since. In 2010, the SC awarded nine scholarships, had all seven scholars who graduated during the year return to serve the SC as fresh management executives, and continued to support 34 scholars in Malaysia, the UK and Australia.

The SC Internship Programme, now in its fourth year and which complemented the SC's milk rounds and young graduate engagements, has shown good results. The first seven batches of short placements have seen over 95 Malaysian undergraduates from local and overseas universities take on challenging assignments in the SC during their study breaks. They gained direct exposure to the Malaysian capital market and a deeper appreciation of regulatory matters, and in turn added value as team members in new projects.

The SC Capital Market Placement Programme, a collaboration with local universities, provided 13 students in 2010 with practical exposure to Malaysian regulatory work as part of formal course requirements and qualifications. To date, 19 students have secured placements in the SC since the programme's inception in 2008.

The SC continued to recruit fresh graduates with strong academic qualifications as Graduate Management Executives (GMEs) who are rotated through various departments to gain exposure on various aspects of the SC's mandate before assuming specific positions. The GME Programme continued to grow in 2010, with 35 GMEs recruited during the year, bringing the total number of GMEs since the programme's inception in October 2004, to 160.

Milk rounds locally and abroad cemented the SC's search to identify and select the best and brightest students from top universities and institutions in Malaysia and overseas. Each effort firmly builds the SC brand as an employer of choice and positions the SC as strongly competitive in the job market, allowing active recruiting from talent pools that are otherwise unreachable. This year, the SC went on 10 local and two overseas milk rounds (the UK and Australia). In addition, the SC also organised four SC Open Days in 2010, to which many educational institutions sent large faculty and student contingents from across Malaysia. A significant number of high-performance graduates joining the SC was the result of these early engagements with undergraduates at local and foreign universities.

Going forward, the SC will continue to fine-tune our human capital management framework. We will benchmark our policies, systems and procedures for acquiring, developing and deploying our people as well as assessing and rewarding performance and maintaining employee harmony, against exemplary capital market organisations.

Talent management

To ensure we maintain a flow of effective leaders, we work to identify individuals with the potential for more senior and complex roles. These talents provide management with candidates for a range of leadership roles across the business groups and across the enterprise. These talent management programmes are critical to our continued success as an organisation. We regard every staff member as an asset to the SC and accordingly ensure that a host of opportunities are made available to them, either through open resourcing or through training and learning. At the same time, we also focus on proactively supporting many individuals to reach their full potential by enabling targeted development opportunities.

On top of identifying, developing and promoting talent internally, the SC has continued its practice of a more open system to strategically recruit middle and top management candidates from the private sector. The injection of new talent with market experience has helped to expand and complement our talent pool. It has facilitated greater appreciation of the workings of the market and strengthened our regulatory rules and practices capabilities, all of which have had a positive impact on our regulatory efforts.

ENHANCING SYSTEMS AND INTERNAL PROCESSES

Leveraging on information technology

Several IT initiatives were implemented in 2010 to enhance strategic, business and operational efficiency, and effectiveness and service delivery through continually leveraging on technology and information to effectively manage and share knowledge. In this regard, the SC continued to invest in major system upgrades and process automation to improve efficiency and free up resources to focus on more strategic and value-added work.

A number of strategic human capital management (HCM) eSystems projects were implemented to drive systemic performance excellence by increasing capabilities and productivity. Further, HCM metrics and systems have been designed, improved and institutionalised to enhance results measurement of the SC's human capital development investments and to facilitate decision making.

Information and knowledge of issues relating to the capital market are crucial to effective delivery of the SC's regulatory functions and the need to enhance its role in supervision, monitoring and policy making. Our development role also requires the accumulation of up-to-date knowledge and experiences in emerging markets. The SC has created an integrated corporate data base to support and facilitate extensive research and to help strengthen analytical capability for supervision, enforcement and policy formulation through the development of effective monitoring tools, including a corporate credit scoring model (Z-score model), for capital market projections and impact studies. An automated, "Case Registry and Statistics System", was also developed to enhance efficiency and productivity in investigation.

e-Systems in human capital development

To support the enhanced training, the SC leveraged on IT to strengthen its capacity and efficiency to track staff performance and provide useful inputs and data to assess the overall impact of such training on performance.

The eSPMS, an online staff performance and development needs management system, was rolled out in March.

† is system was carefully designed and developed to better facilitate planning, managing and tracking of sta... performance and development. Performance records are centralised, while the system supports progress tracking, enables better strategic and business focus by sta..., and facilitates management and development of sta... by supervisors.

† e eSCMS, an online conÿrmation management system was rolled out in April. † is system automates probation performance tracking and the conÿrmation approval process, centralises performance records and facilitates informed decision making. It also supports new sta...and their supervisors, to monitor strengths and weaknesses and to take prompt measures to improve performance.

† e online LEAD Points System (LPS) was also rolled out in March. † is system enables monitoring of leadership development programmes attended by sta...and allocates and records points for various types of development interventions, thus contributing to improved performance management and leadership development.

Online systems for the talent pipeline

Efforts made in 2010 to support the talent pipeline with online systems, led to more effective processes and decision-making.

Table 1
Online system for talent pipeline

Online system	Status
eScholarship	Online scholarship application system launched on 11 March 2010. 480 students applied online, an increase from the 306 who applied via hardcopy in 2009. The efficiency of the selection process was also improved by automating some manual interventions such as filtering of suitable candidates, analysis and reporting.
eInternship and CMPlacement	Online application systems for the SC's Internship, and Capital Market Placement, programmes respectively are in the final stages of testing, ready for deployment in early 2011.
SCORE	An online recruitment engine was soft launched in the second half of the year, and has been quite successful in enhancing and facilitating more effective candidate shortlisting for interviews. This eRecruitment system helps automate processes such as filtering suitable candidates, analysis and reporting.

Job and performance management

One of the major efforts undertaken by the SC in 2010 was the setting and institutionalising of benchmarked performance standards through our job and performance management systems. Measures to inculcate a high performance culture continued throughout the year via supportive learning and development interventions to enhance individual and organisational skills and experience. † e objective was to ensure that core competencies were met, internal capabilities were adequate at all times, and that people risks were managed and mitigated.

Job profiling

† e SC's strategic focus and mandate has evolved through the years, resulting in a concomitant growth and expansion of jobs in the organisation. A key initiative in 2010 was the review and update of all job profiles at executive and managerial levels, with thorough quality reviews at department level and objective evaluation by management. † is was a major exercise undertaken across the whole organisation where job expectations and contributions, job relationships, job challenges and work environment, as well as job knowledge and experience were all fully assessed and recorded.

† e exercise provided sta... with greater clarity and line of sight to organisational and business goals and objectives, more focused execution of strategic, business and operational work, and a better understanding of, and adherence to, performance expectations and standards. † e regulators of the future, when compared with those of yesterday and today, will face far more complexity, intricacy and challenge in their jobs, and therefore need to be even more able, versatile and multi-disciplinary. † e understanding of their strategic, business and operational focus must be underpinned by strong risk analysis and insight. In addition, the documentation from the exercise also facilitated a review of people development, performance management, recruitment and career progression.

Knowledge and record management

A significant milestone was achieved in enhancing knowledge infrastructure through the adoption of Web 2.0 collaboration tools i.e. Wiki and Blogs to facilitate intelligence sharing across the organisation. Leveraging on these tools enabled efficient institutionalisation and sharing of intellectual capital e.g. Islamic capital market (ICM) terminologies and tacit knowledge from knowledge experts. † rough this technology, a comprehensive directory on global Islamic finance was made available to facilitate quick reference and strengthen the sharing of information on the Malaysian ICM.

To deepen the SC's level of information and knowledge of issues relating to the capital market, the SC's Economics Department carries out policy related research on subjects such as internationalisation strategies and its effects on the Malaysian capital market. † is included methods of assessing the degree of companies' financial distress; a profiling of the risk-return relationship, firms' fundamentals and investors' behaviour; and a report on earnings growth and market capitalisation behaviour.

In 2009, the SC had embarked on enhancing the SC as a knowledge organisation to improve efficiency in managing records and reduce risk of poor and ineffective records management. A pilot project, involving the SC's corporate finance – equities department was launched, which entailed a complete records management solution encompassing policy, procedures, process flow and IT systems to support

the new records management practices for the department. † e objective was to capture and maintain all SC records in electronic form for efficient storage, retrieval and sharing while maintaining appropriate confidentiality levels and access controls.

† e records management system was developed in compliance with international standards i.e. ISO 15489. As a follow through, a post-implementation review was conducted in 2010 and the results showed that improved record management practices are now an integral part of operations of the Equities Department. Benefits include improved security features, having up-to-date records of high integrity, improved work processes through improved collaboration and business continuity planning.

Process re-engineering and restructuring

Having clear and transparent standard operating procedures and measurements against standards and expectations are important good governance practices in the SC. Given the continued global crisis in 2010, it was even more critical to ensure that the SC's processes and procedures were relevant to meet the new challenges in the financial sector. In this regard, a total of 150 processes were reviewed and updated across all functions of the SC in 2010. Each of these processes underwent rigorous reviews for efficiency and effectiveness. † e outcome of this review included incorporating elements to ensure clarity in terms of roles and responsibilities, adequacy of checks and balances, controls at major milestones and efficient timelines. Two major new process engineering exercises were conducted, namely for the Audit Oversight Board (AOB), to develop processes for the new oversight function being undertaken by the SC; and the formulation of a policy making framework to guide good policy making by the SC in the form of a process flow based on clear principles and protocols for progression and compliance. † e purpose of the framework is to provide a consistent organisational approach to policy making to guide high quality outcomes.

In August, the SC also completed a major restructuring exercise for the Issues and Investments business group which resulted in the formation of the Corporate Finance and Investments (CFI) business group. † e restructuring was done to enhance organisational capabilities in line

with the new regulatory framework for listings and equity fund-raising as well as to improve the efficiency and effectiveness of the business group to meet challenges arising from the changing market landscape. The restructuring demonstrated the SC's increasing focus on the importance of the corporate governance agenda apart from ensuring effective delivery of regulatory services to stakeholders.

Review of processes in policy formulation

Policy formulation has become more complex and involves a larger number of stakeholders. In ensuring that the SC is always forward thinking and prompt in instituting relevant policies, the SC introduced a more robust process in policy formulation, discussions and approval. The Policy Formulation Review process was

developed to provide a consistent approach to policy making with high quality outcomes and to promote effective collaboration among the parties involved during the development process. Appropriate assessments were conducted to determine the impact and implications on all stakeholders and on existing policies. To ensure suitability and relevance, robust consultation and challenge processes were built into the overall review process, where relevant.

Key performance indicators were also developed in conjunction with policies which would allow the SC to perform structured evaluations and reviews as part of our policy-making process to systematically assess the effectiveness of our policies. Building upon the SC as a learning organisation, proper documentation of policy discussion and decisions continued to be maintained at the SC's knowledge repository.

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Part Five

Capital Market Review and Outlook

CAPITAL MARKET REVIEW AND OUTLOOK

GLOBAL DEVELOPMENTS

• The anticipated global economic slowdown for 2010 did not materialise. While growth in developed economies remained weak, relatively strong economic performance in emerging economies supported global growth. • The better than expected growth in developed economies reflected recovery in exports, but persistently high unemployment resulted in continued weakness in consumer spending. In the developing world, consumption grew faster because of recovery in exports (from a low base), increase in commodity prices and the positive effects from continued expansionary fiscal policies. However, higher commodity and food prices also gave rise to concerns on inflation. Higher capital inflows into emerging markets prompted monetary authorities to tighten policy and take specific and targeted measures to manage financial stability risks.

Financial market performance in most economies was favourable in 2010, reflecting the better-than-expected economic climate, ample liquidity, and expanding risk appetite especially in emerging markets. Further monetary easing in the United States and Europe, which led to a further decline in short-term interest rates, resulted in a redistribution of global capital towards higher-yielding emerging markets. Equities markets showed expanded trading volume and price increases as greater capital flows, especially into Asia, influenced increases in asset prices. Nonetheless, Ireland's default soon after Greece's credit crisis renewed fears over European sovereign credit risk, resulting in periods of heightened volatility in May

Table 1

Output and inflation (annual % change)

Real GDP	2009	2010e	2011f
World	-0.6	4.8	4.2
Advanced economies	-3.2	2.7	2.2
– US	-2.6	2.6	2.3
– European Union	-4.1	1.7	1.5
– Japan	-5.2	2.8	1.7
Other advanced economies	-1.2	5.4	3.7
Emerging and developing economies	2.5	7.1	6.4
Developing Asia	6.9	9.4	8.4
Malaysia	-1.7	6.7	5.3
Consumer prices	2009	2010e	2011f
Advanced economies	0.1	1.4	1.3
– US	-0.3	1.4	1.0
– European Union	0.3	1.6	1.5
– Japan	-1.4	-1.0	-0.3
Other advanced economies	1.5	2.5	2.5
Emerging and developing economies	5.2	6.2	5.2
Developing Asia	3.1	6.1	4.2
Malaysia	0.6	2.2	2.1

f: forecast

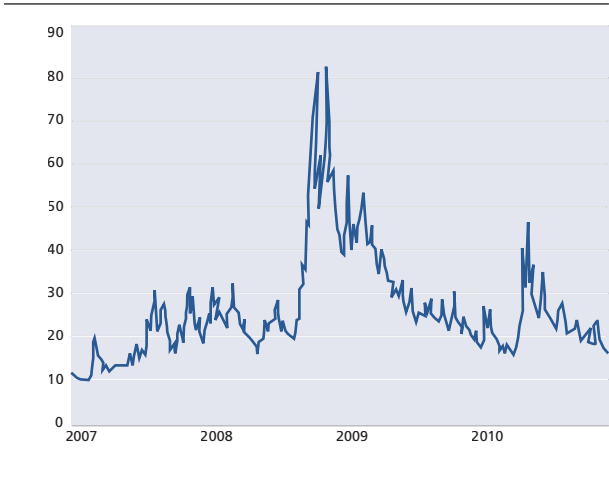
e: estimate

Source: International Monetary Fund

and November. Nonetheless, contagion from the most affected markets to emerging markets was limited and transitory – emerging market asset prices have markedly outperformed those in developed markets. Global food and commodity prices also rose substantially, with metals and oil seeing the biggest gains. • These contributed to concerns of inflationary pressures in emerging economies.

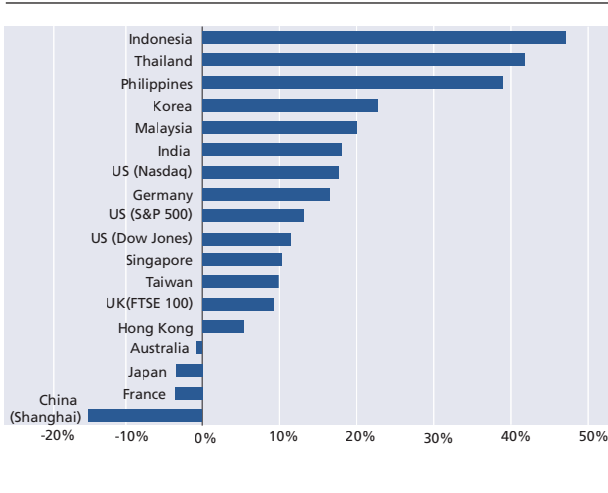
Chart 1
Risk aversion

CBOE VIX index of implied volatility of Standard & Poor's 500 index options



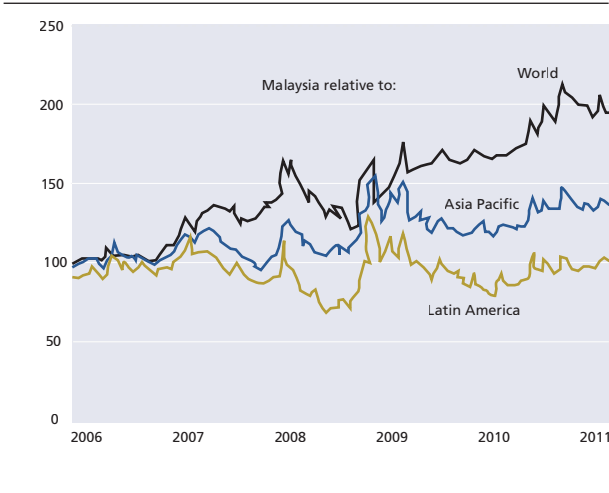
Source: Thomson Reuters Datastream

Chart 3
Stock market indices (percentage change in 2010)



Source: Thomson Reuters Datastream

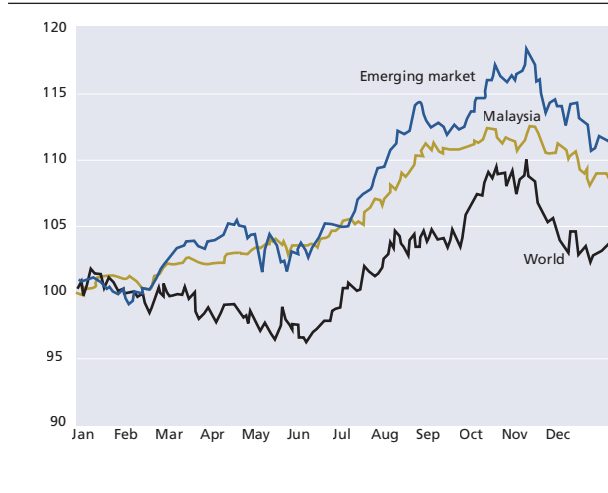
Chart 2
Performance of Malaysia's stock market



Source: Thomson Reuters Datastream

Note: Malaysian stock prices relative to regions (Jan 2006 = 100). Morgan Stanley Capital International stock price indices in US dollars

Chart 4
World government bond prices (31 Dec 2009 = 100)
JPM EMBI + Emerging Market and Malaysia indices, CGBI World WCGBI index in US dollars

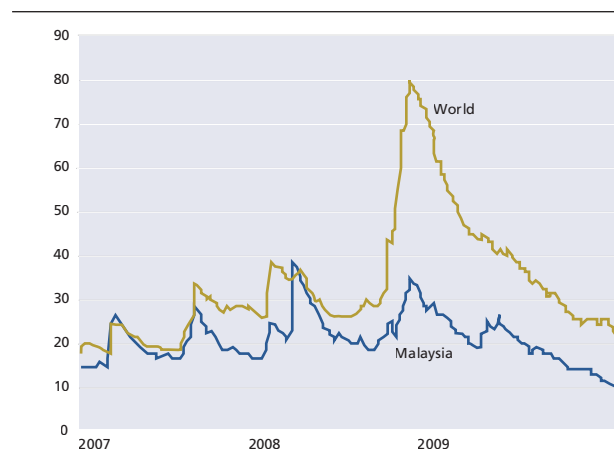


Source: Thomson Reuters Datastream

Chart 5

Stock market volatility (annualised %)

Volatility of MSCI Malaysia index and average volatility of selected other market indices in US dollars

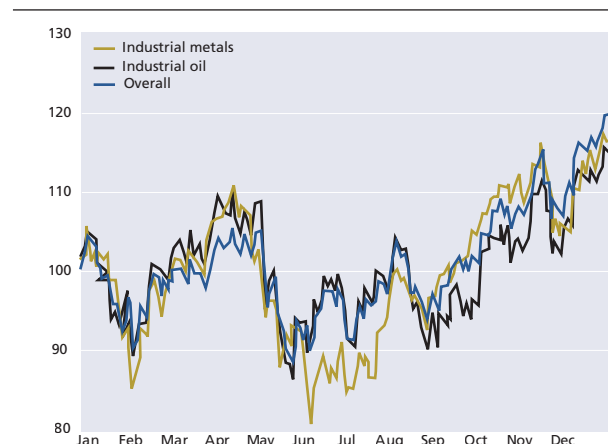


Source: Securities Commission Malaysia

Chart 6

Global commodity prices (1 Jan 2010= 100)

S&P Goldman Sachs Commodities indices



Source: Thomson Reuters Datastream

Much of the differential in performance between developed and emerging economies was driven by – and in turn attracted – significant capital flows to higher-yielding assets in emerging economies, especially to those economies with more open capital accounts. • is in turn, generated currency volatility and exchange rate tensions. • e gradual re-normalisation of monetary policy stance in better-performing emerging markets further accelerated these flows, even as monetary authorities implemented a range of measures to manage risks associated with these inflows.

Table 2

Fiscal balance of central government (percentage of GDP)

	2008	2009	2010
Advanced economies	-2.7	-7.1	-6.3
– US	-4.5	-11.4	-9.1
– European Union	-1.7	-3.9	-4.2
– Japan	-3.6	-5.5	-5.3
Other advanced economies	-0.4	-4.5	-4.9
Emerging and developing economies	0.1	-3.5	-2.4
Developing Asia	-1.7	-3.5	-3.2
Malaysia	-4.8	-4.8	-0.9

Source: International Monetary Fund, Ministry of Finance Malaysia

DOMESTIC DEVELOPMENTS**Economic and market resilience**

In Malaysia, a comprehensive socio-economic reform programme, accommodative interest rates and relatively resilient private consumption, provided strong support to the growth momentum. After a decline of 1.7% in 2009, growth in real output turned around to 9.5% in the first half of 2010, and registered a growth of 5.3% in the third quarter of 2010. Growth was supported by strong domestic demand which expanded by 5.0% in the third quarter (2Q 2010: 9%), led by a sustained expansion in both private consumption (3Q 2010: 7.1%; 2Q 2010: 7.9%) and capital spending.

Stock and bond prices in the Malaysian capital market were markedly higher, reflecting the global trends in global financial markets. Financial intermediation was supportive of domestic economic activity and ample liquidity in the financial system supported both public and private sector financing demands. Despite the increase in volatility following developments from the European sovereign debt crisis and uncertainties over global economic recovery, domestic markets remained buoyant, in line with regional peers.

Table 3
Policy rates (end period)

	2008	2009	2010
US	0.25	0.25	0.25
European Union	2.50	1.00	1.00
UK	2.00	0.50	0.50
Australia	4.25	3.75	4.75
Japan	0.10	0.10	0.10
China	5.31	5.31	5.81
India	5.00	3.25	5.25
Indonesia	9.25	6.50	6.50
South Korea	3.00	2.00	2.50
Malaysia	2.50	2.00	2.75
Thailand	2.75	1.25	2.00
Singapore	0.74	0.55	0.42
Philippines	5.00	4.00	4.00

Source: International Monetary Fund, Ministry of Finance Malaysia

In 2010, domestic financing proposals increased from a year ago, in line with improving economic conditions, and supported by various capital market liberalisation initiatives. A total of 26 IPO (22 domestic; 4 foreign) proposals were approved in 2010, exceeding the 12 IPO approvals in 2009. Actual IPO amount raised upon listing totalled RM19.79 billion. As at December 2010, there were 29 new listings on Bursa Malaysia, of which 21 were for the Main Market, six were listed on the ACE Market and two were REITs listings. The listing of Petronas Chemicals Group Bhd in November 2010 further broadened the investment choice in Malaysian stocks. It is among the top Shariah-compliant stocks on Bursa Malaysia, and the largest IPO in the history of Malaysia and South East Asia.

As at 31 Dec 2010, the SC approved 52 corporate bonds (31 conventional; 20 sukuk; one combination), amounting to RM63.58 billion (RM23.26 billion conventional; RM38.33 billion sukuk; RM2 billion combination) compared with 34 approvals amounting to RM 57.49 billion during the same period in 2009. Total issuance amounted to RM53.60 billion (RM23.6 billion conventional; RM30.0 billion sukuk).

Secondary market performance

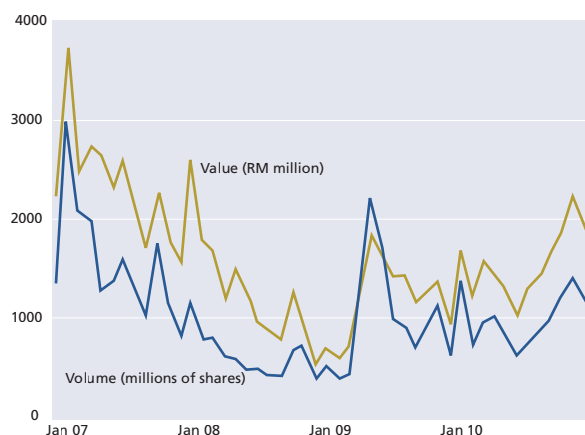
The stress level in the Malaysian stock market was much lower in 2010 compared to the past three years. (Market stress is defined as a situation when the stock market is under strain and its ability to perform its functions efficiently is curtailed.) Stress levels were measured against four main indicators: volatility, price impact, market illiquidity and financial sector resilience. Overall, the stress level had risen briefly in May amidst the global unease over Greece's sovereign debt crisis, but declined soon after. Investment uncertainty, measured by price volatility, was at a three-year low, reflecting largely improved confidence over domestic economic stability, higher corporate profits and a strengthening ringgit.

The equity market was less susceptible to price shocks from specific events, while concerns over financial sector resilience, which reached extreme levels on several occasions in response to global systemic risk, also subsided in 2010. Market liquidity improved significantly from the middle of the year. Increasing turnover was in response to rising prices. Trading activity in the domestic equity market rose significantly – average daily trading volume in December was 1.16 billion, an increase of 77% from a year earlier, while the average daily trading value was RM1.89 billion, an increase of 96% from December 2009. Equity price increases in 2010 were across the board in most sectors.

The FBMKLCI closed at its all-time high of 1,528.01 points on 10 November, consistently outperforming both emerging and advanced market indices since late 2008. It remained buoyant on stable economic conditions and the optimism of socio-economic reforms and the economic transformation programmes. The FBMKLCI rose by 19% for the year, compared to MSCI Emerging Market Index's 16% and MSCI World Index's 10%. Greater foreign institutional participation, driven by a search for yield and the strengthening ringgit, was a factor in higher turnover and prices.

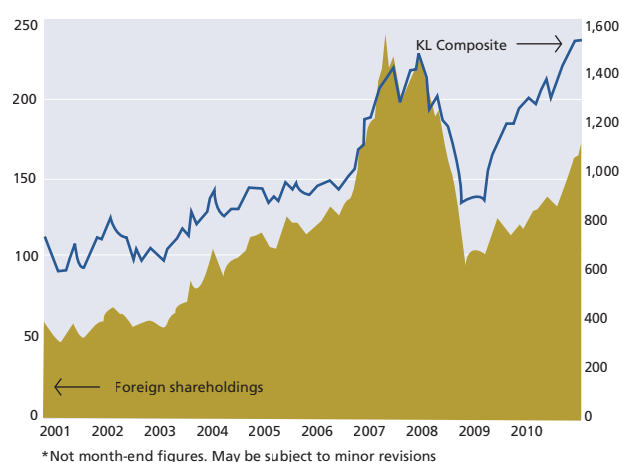
Malaysia's upgrade to FTSE's advanced emerging markets status effective June 2011, from the current secondary emerging markets status, also boosted confidence

Chart 7
Daily Malaysian stock market trading activity



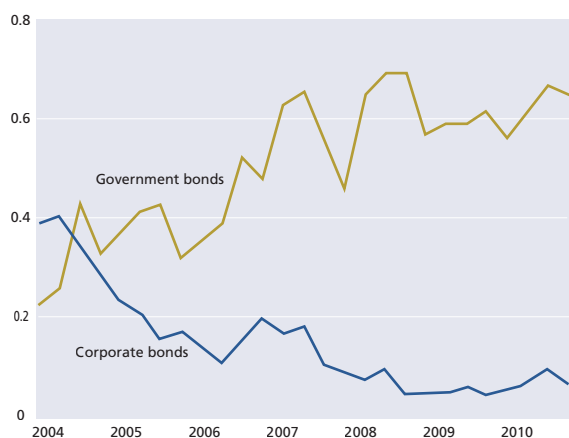
Source: Bursa Malaysia

Chart 9
Estimated foreign shareholding* and stock prices



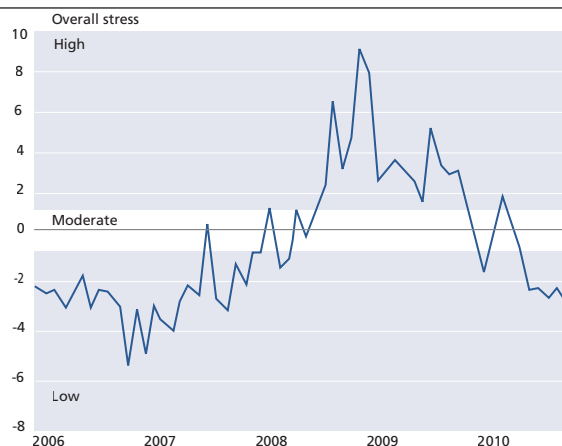
Source: Securities Commission Malaysia, Bursa Malaysia, Thomson Datastream
Note: Foreign ownership value of KLCI stocks (RM billions); Kuala Lumpur Composite Index.

Chart 8
Bond market turnover ratio (As proportion of bonds outstanding)



Source: Asian Development Bank

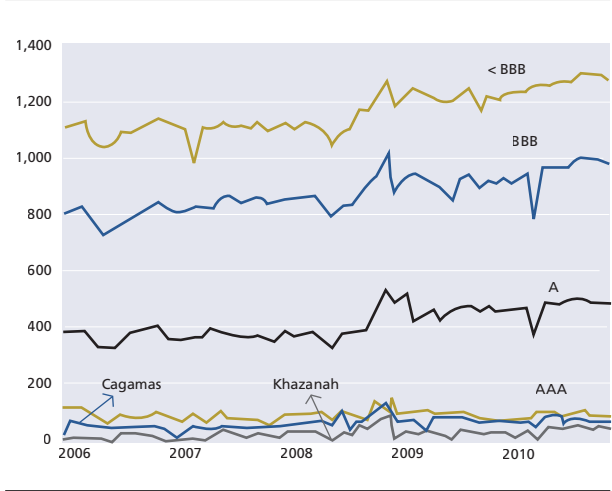
Chart 10
Malaysian stock market stress index



Source: Securities Commission Malaysia

Note: Composite index of indicators consist of volatility risk, price impact risk, market illiquidity risk and financial sector risk. All indicators measure the deviation from a rolling three-year average, and are normalised to facilitate comparison and combination. Shaded areas represent levels of risk that are usually high or low relative to the past.

Chart 11
Credit spread of ringgit bonds



Source: Securities Commission Malaysia, Asia Bonds Online (Asian Development Bank)
Note: Credit spreads – average spread against government bonds of 3, 5, 10 and 15 year maturities.

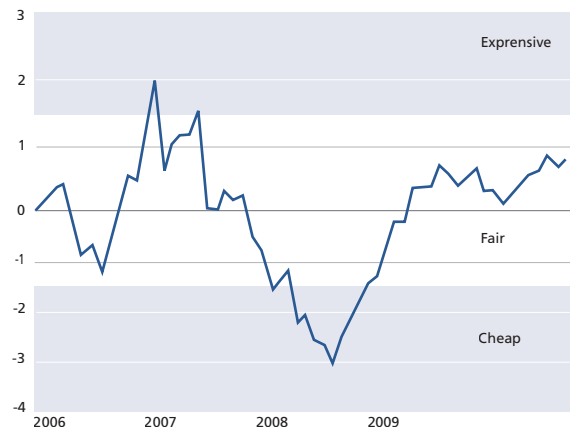
among local and foreign investors. The upgrade, putting Malaysia on par with Brazil, Hungary, Mexico, Poland, South Africa and Taiwan, is expected to improve the weightage of Malaysia in international indices and attract increased foreign portfolio flows into the domestic market.

Increased foreign demand for local currency bonds from the middle of the year appeared to have put some strain on the bond market. Government bond market liquidity, measured by the turnover ratio, although high by historical standards, deteriorated slightly in the last two quarters. Moreover, investment uncertainty, measured by yield volatility, increased over the last 10 months. Perceptions over credit risk of lower-rated paper (BBB and below) grew from March, although the view on senior credit was more benign and in line with regional trends.

OUTLOOK

The economic outlook for Malaysia still appears to be broadly favourable, with growth expected to be steady. The near-term domestic environment should continue to be broadly supportive of the capital market, with the Economic Transformation Programme possibly providing a boost to private-sector fund-raising over the course of its implementation. This bodes well for corporate activity and earnings; the consensus estimate as at the end of 2010 is for average earnings per share for KLCI component stocks to grow by 16.8% in the following 12 months. Although analysts' estimates of earnings growth have generally moderated in view of a possible slowdown in external (export) demand in 2011, the range of forecasts has narrowed, suggesting less uncertainty over earnings prospects. This is also reflected in the low proportion of revisions in earnings estimates, which in any case have tended to be mainly upward. There is some risk however,

Chart 12
Stock market valuation
Composite of price-to-fundamentals ratios

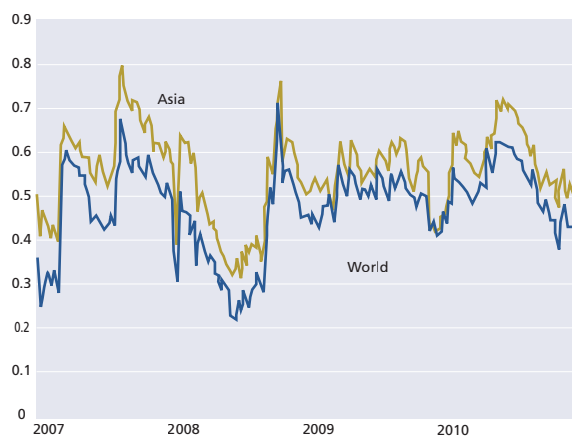


Source: Securities Commission Malaysia, I/B/E/S
Note: Stock market valuation index – average of price-to-earning, -book value and -cash flow ratios (forward and trailing), measured as the deviation from a rolling three-year average, and normalised to facilitate comparison and combination; shaded areas represent unusually high or low valuations relative to the past.

Chart 13

International correlation of Malaysian stock with other markets

Average correlation of MSCI Malaysia index returns with selected other markets in US dollars



Source: Securities Commission Malaysia

that valuations could become stretched if prices were to rise further or if investors feel that emerging market risk has increased and re-rate valuations downwards.

However, with lingering weaknesses in the advanced economies and questions over the sustainability of growth in the emerging economies, global risks continue to influence the outlook. Given rising commodity and

food prices, as well as growth in consumer spending, emerging market authorities will need to strike a balance between maintaining supportive conditions, while managing the risk of growth in credit and rising inflation concerns. Markets are therefore likely to focus on monetary policy pronouncements and the global developments on the inflation front. In addition to global policy challenges and inflationary risk, recent events suggest that social and political instability within certain countries and regions has increased.

- erefore markets could be more susceptible to “global event risk”, i.e. a sudden global decline in sentiment across the world’s financial markets in reaction to an unexpected globally-significant event. Historical data show that markets tend to move together during periods of global economic uncertainty.
- e impact of such risk could be exacerbated by capital reversal from emerging markets as a whole, given the build-up of foreign portfolio flows into their economies in the last six months of 2010.

Nonetheless, for Malaysia, inflow of foreign capital into the domestic corporate bond market has thus far been manageable, while foreign participation in the domestic stock market, albeit increasing towards the year end, remains below the peak in 2006/early 2007.



Part Six

Statements and Statistics

COMMISSION MEMBERS



TAN SRI ZARINAH ANWAR

Appointed 1 December 2001

Tan Sri Zarinah Anwar was appointed the Chairman of the Securities Commission Malaysia (SC) on 1 April 2006. She had served as the Deputy Chief Executive of the SC and member of the Commission since 1 December 2001. Tan Sri Zarinah is also the Vice Chairman of the Emerging Markets Committee of IOSCO and represents the Committee on the International Financial Reporting Standards (IFRS) Foundation Monitoring Board. Tan Sri Zarinah currently chairs the Malaysian Venture Capital Development Council (MVCDC) and the Capital Market Development Fund (CMDF). She is also the Vice Chairman of the Asian Institute of Finance Malaysia (AIF). In addition, Tan Sri Zarinah is a member of the Labuan Offshore Financial Services Authority (LOFSA), the Financial Reporting Foundation (FRF), Malaysia International Islamic Financial Centre (MIFC), and the board of directors of the Institut Integriti Malaysia (IIM).

Prior to joining the SC, Tan Sri Zarinah was the Deputy Chairman of Shell Malaysia. She graduated with an LLB (Hons) from the University of Malaya.



DATUK TAN LEH KIAH @ FRANCIS TAN

Appointed 18 May 1999

Datuk Francis Tan is a consultant of Azman, Davidson & Co Advocates and Solicitors. He was the Managing Partner from 1986 to 2008. He is an associate member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and the Malaysian Institute of Taxation. He is also a solicitor of the Supreme Court of England and Wales.

**DATO' GUMURI HUSSAIN**

Appointed 1 August 2004

Dato' Gumuri is the Chairman of SME Bank, a position he has held since October 2005. He was the Managing Director and Chief Executive Officer of Penerbangan Malaysia Bhd from 2002 to 2004. Prior to this, he was a Senior Partner and Deputy Chairman of Governance Board of PricewaterhouseCoopers Malaysia.

He sits on the boards of Kurnia Setia Bhd, Metrod (Malaysia) Bhd and Media Prima Bhd. He has also served as a non-executive director of Bank Industri & Teknologi Malaysia Bhd, Malaysian Airline System Bhd and Sabah Bank Bhd. Dato' Gumuri is a fellow of the Institute of Chartered Accountants in England and Wales (ICAEW), and a member of the MIA and the Malaysian Institute of Certified Public Accountants (MICPA).

**DATUK WIRA ISMAIL SALEH**

Appointed 15 July 2008

Datuk Wira Ismail Saleh is the Secretary General of the Ministry of Plantation Industries and Commodities. He was the Melaka State Secretary from 2005 to 2008. Having been in public service since 1975, Datuk Wira Ismail has more than 30 years of working experience in the government sector. Positions that he has held include the Deputy Chief Executive of the Malaysian External Trade Development Corporation (MATRADE) and the Senior Director, Bilateral and Regional Relations Division of the Ministry of International Trade and Industry (MITI). Datuk Wira Ismail was also the Malaysian Trade Commissioner in Singapore, France and the US.

**FAZLUR RAHMAN EBRAHIM**

Appointed 1 May 2006

Fazlur Rahman Ebrahim is the Managing Director of Prokhas Sdn Bhd, a company wholly owned by the Minister of Finance Incorporated. He was previously the Chief Operating Officer of Bank Islam Malaysia Bhd and the President and Chief Executive Officer of Bank Muamalat Malaysia Bhd. He currently sits on the boards of Pengurusan Danaharta Nasional Bhd, Pelaburan Hartanah Bhd, Syarikat Jaminan Kredit Perumahan Bhd, Syarikat Jaminan Pembiayaan Perniagaan Bhd and Credit Counseling and Debt Management Agency. Fazlur holds a bachelor's degree in business administration from Ohio University, US and a master's degree in business administration (finance) from Universiti Kebangsaan Malaysia

**TAN SRI MOHAMED JAWHAR HASSAN**

Appointed 15 May 2010

Tan Sri Mohamed Jawhar has been the Chairman and Chief Executive Officer of Institute of Strategic and International Studies (ISIS) Malaysia since 2006. He joined ISIS as the Director-General in 1997. Before joining ISIS, Tan Sri Mohamed Jawhar had served the government, among others, as the Director-General, Department of National Unity; Under-Secretary, Ministry of Home Affairs; Director (Analysis) Research Division, Prime Minister's Department; and Principal Assistant Secretary, National Security Council. He has also served as Counselor in the Malaysian embassies in Indonesia and Thailand.

Tan Sri Jawhar is also Non-Executive Chairman, New Straits Times Press (Malaysia) Bhd; Advisory Board member, Malaysian Anti-Corruption Commission; Distinguished Fellow, Institute of Diplomacy and Foreign Relations (IDFR); Board member, Institute of Advanced Islamic Studies (IAIS); Chairman, Malaysian National Committee of the Council for Security Cooperation in the Asia Pacific (CSCAP); and member, International Advisory Board, East West Center, US. He is also Expert and Eminent Person, ASEAN Regional Forum (ARF). Tan Sri Jawhar was a member of the Economic Council from 2008 to 2009.

SENIOR MANAGEMENT



DATO DR NIK RAMLAH MAHMOOD
Managing Director and Executive Director
Enforcement



DATUK RANJIT AJIT SINGH
Managing Director and Executive Director
Market Supervision



DATIN TEH IJA MOHD JALIL
Executive Director
Corporate Resources



GOH CHING YIN
Executive Director
Strategy and Development

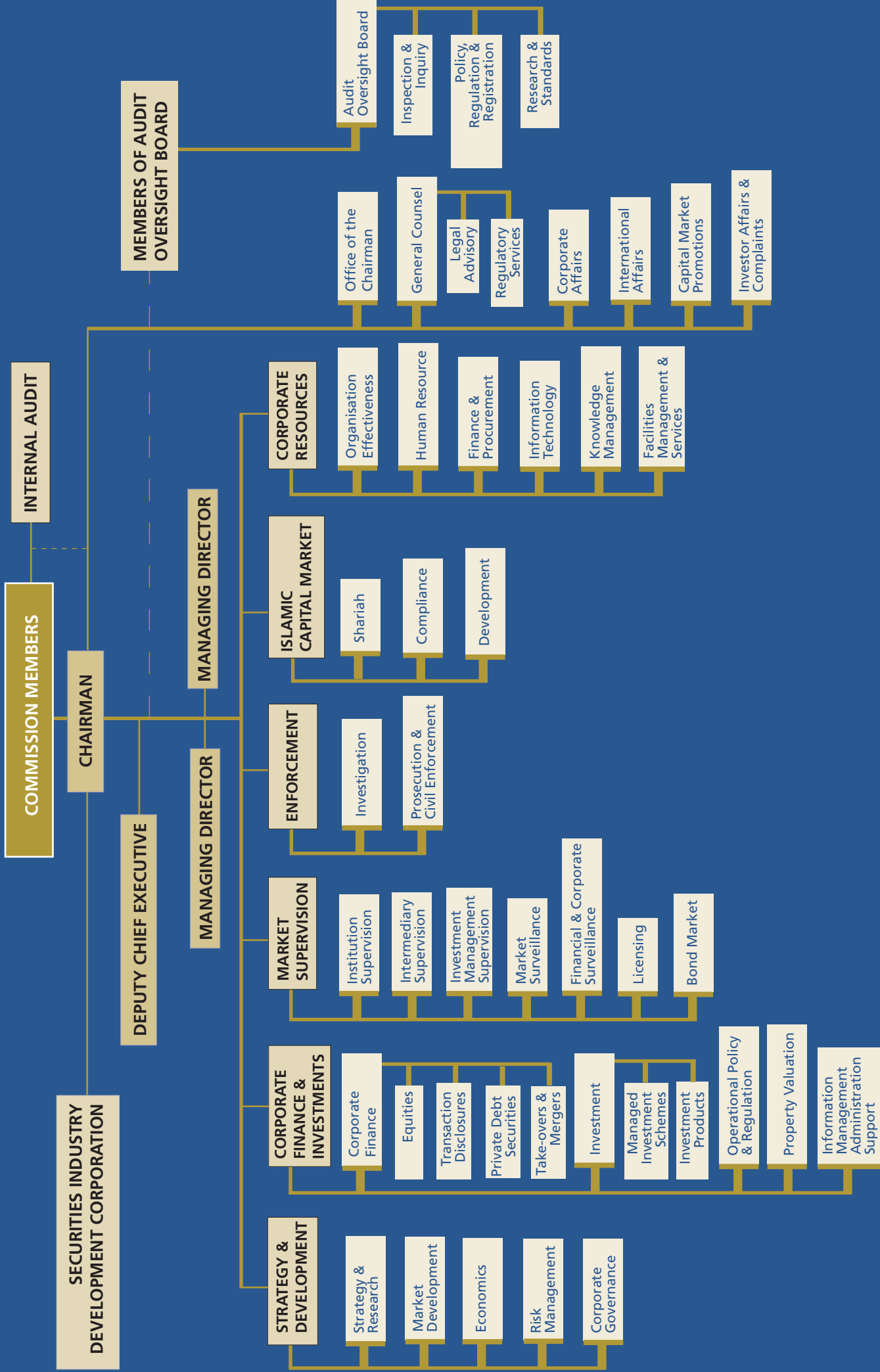


EUGENE WONG WENG SOON
Executive Director
Corporate Finance & Investments



ZAINAL IZLAN ZAINAL ABIDIN
Executive Director
Islamic Capital Market

ORGANISATION STRUCTURE



STATEMENT OF GOVERNANCE

• The SC is a statutory body established under the *Securities Commission Act 1993* (SCA) to regulate and develop the Malaysian capital market. • The SC's functions, powers and various governance arrangements are set out in the SCA.

• The SC is an active member of the International Organization of Securities Commissions (IOSCO) and is committed to the IOSCO principles of securities regulation to protect investors; ensure fair, efficient and transparent markets; and reduce systemic risk.

As a capital market regulator, the SC advocates high standards of corporate governance and is itself fully committed to the upholding of sound governance principles and best practices.

MEMBERS OF THE COMMISSION

• The Minister of Finance appoints Commission members. • The Commission members comprise an Executive Chairman together with seven other members of which four members represent the government whilst the remaining three members represent the private sector.

Tan Sri Zarinah Anwar assumed the position of Executive Chairman on 1 April 2006. A profile of Commission members and their involvement in the various committees established by the Commission are provided on pages 6-1 to 6-3 and page 6-8 respectively.

A Commission member's term of appointment cannot exceed a period of more than three years. However, upon completion of his or her term, he or she is eligible for reappointment as a Commission member. Whilst serving as a Commission member, he or she is also entitled to receive any remuneration or allowances as may be determined by the Minister of Finance.

A person is disqualified from holding the office of a Commission member if he or she holds a full time office in any public-listed company. Further, a Commission member must also vacate his or her office where he or she is:

- convicted of an offence under the law;
- declared a bankrupt;
- not capable of discharging his or her duties; or
- fails to attend three consecutive meetings of the Commission without leave.

A Commission member is also required by the law to disclose the nature of his or her interest in any matter that is being discussed by the Commission or by a committee. Contravention of this requirement can result in an offence being committed against the SCA.

FUNCTIONS OF THE COMMISSION

• The SC's regulatory functions include:

- Advising the Minister of Finance on all matters relating to the Malaysian capital market;
- Supervising exchanges, clearing houses and central depositories;
- Approving authority for issuance of securities;
- Registering authority for prospectuses of corporations;
- Regulating all matters relating to securities and futures contracts;
- Regulating the take-over and mergers of companies;
- Regulating all matters relating to unit trust schemes;
- Licensing and supervising all licensed persons;
- Oversight over self-regulatory organisations;
- Ensuring proper conduct of market institutions and licensed persons; and
- Developing an effective audit oversight framework and registering all auditors of public-interest entities.

...ese regulatory functions are carried out with the view to ensure that:

- Investors have confidence in our capital market by ensuring that they are adequately protected;
- Markets operate in fair and orderly manner; and
- Systemic risk posed by the capital market is adequately managed.

Apart from discharging the above regulatory functions, the SC is also obliged to encourage and promote the development of the Malaysian capital market.

COMMISSION MEETINGS

Ten Commission meetings were held in 2010. ...e quorum required is five. ...e attendance record is set out in Table 1.

COMMITTEES OF THE COMMISSION

Committees established by the Commission pursuant to section 18 of the SCA are listed in Table 2.

...e Commission established the Audit Oversight Board (AOB) to assist it in discharging its regulatory function in respect of developing an effective audit

oversight framework and registering all auditors of public interest entities. ...e AOB came into operation on 1 April 2010.

MEETING PROCEDURES

Due notice is given on issues to be discussed with the distribution of agenda and papers for consideration at Commission and committee meetings. ...ese meetings provide a forum for balanced deliberation of issues and transparent decision making. Management representatives may be invited to attend Commission and committee meetings when necessary to advise on any matter under discussion.

All members of the Commission have access to the Commission Secretary who ensures that the members have sufficient information, support and resources to make informed decisions. ...e Commission Secretary and the various committee secretariats keep a full set of minutes of all Commission and committee meetings, respectively.

ACCOUNTABILITY AND AUDIT

...e Chairman is entrusted with the day-to-day administration of the SC as provided by section 4(2) of the SCA. Since 6 February 2008, Managing Directors have been appointed by the Commission to assist the Chairman with day-to-day operations related to the broad areas of regulation and development. ...e Management Committee, which is the highest executive body and chaired by the Chairman, meets regularly and is supported by other committees including the Sanctions Committee, the Resources Committee, and the IT Steering Committee.

Risk management and internal control

...e Commission considers risk management integral to the successful pursuit of the SC's mission, objectives and goals; and acknowledges its oversight responsibility to ensure the maintenance of sound risk management and internal control systems at the SC.

Table 1

Attendance at Commission meetings in 2010

Commission member	Number of meetings attended
Tan Sri Zarinah Anwar	10
Datuk Latifah Datuk Abu Mansor	7
Dato' Muhammad Ibrahim (resigned 14 May 2010)	2
Dato' Mohd Bakke Salleh (resigned 15 July 2010)	4
Datuk Wira Ismail Saleh	7
Datuk Francis Tan Leh Kiah	8
Dato' Gumuri Hussain	6
Fazlur Rahman Ebrahim	10
Tan Sri Mohamed Jawhar Hassan (appointed 15 May 2010)	5

Table 2

Committees of the Commission in 2010

Committee	Responsibility	Members
1. Audit Committee	Review effectiveness of the SC's risk management and internal control systems and review the annual financial statements.	<ul style="list-style-type: none"> Dato' Gumuri Hussain (Chairman) Datuk Francis Tan Leh Kiah Fazlur Rahman Ebrahim Datuk Wira Ismail Saleh
2. Issues Committee	Evaluate any proposed issue and listing of securities by PLCs and corporate exercises involving reverse take-overs of PLCs.	<ul style="list-style-type: none"> Tan Sri Zarinah Anwar (Chairman) Datuk Francis Tan Leh Kiah Fazlur Rahman Ebrahim Dato' Gumuri Hussain Dato' Muhammad Ibrahim*
3. Take-overs and Mergers Committee	Assess requests for waivers from the mandatory general offer obligation. Evaluate exemptions from provisions of the take-overs and mergers code.	<ul style="list-style-type: none"> Tan Sri Zarinah Anwar (Chairman) Datuk Francis Tan Leh Kiah Dato' Gumuri Hussain
4. Managed Investment Schemes Committee – previously known as Trusts and Investment Management Committee	Evaluate and approve the establishment of a unit trust or property fund and any other form of collective investment schemes.	<ul style="list-style-type: none"> Tan Sri Zarinah Anwar (Chairman) Fazlur Rahman Ebrahim Dato' Mohd Bakke Salleh** Dato' Muhammad Ibrahim* Tan Sri Mohamed Jawhar Hassan
5. Licensing Committee	Evaluate and approve (or reject) applications for the grant of a new CMSL, together with accompanying CMSRLs, directors, key management personnel and compliance officer. The Committee also considers applications for exemptions from SC licensing examinations and, deliberates and decides on policies relating to licensing issues.	<ul style="list-style-type: none"> Tan Sri Zarinah Anwar (Chairman) Dato' Muhammad Ibrahim* Dato' Mohd Bakke Salleh** Datuk Latifah Datuk Abu Mansor Tan Sri Mohamed Jawhar Hassan
6. Compensation Fund Appellate Committee	Hear appeals arising from the determination of the Compensation Committee of Bursa Malaysia on claims against the Bursa Malaysia Compensation Fund.	<ul style="list-style-type: none"> Datuk Francis Tan Leh Kiah (Chairman) Dato' Muhammad Ibrahim* Dato' Mohd Bakke Salleh** Dato Dr Nik Ramlah Nik Mahmood Datuk Wira Ismail Saleh
7. Nomination and Remuneration Committee	Formulate the remuneration package of the Chairman and Deputy Chief Executive and make related recommendations to the Minister of Finance. It also determines the individual remuneration package of the Managing Directors.	<ul style="list-style-type: none"> Dato' Gumuri Hussain (Chairman) Dato' Mohd Bakke Salleh** Datuk Francis Tan Leh Kiah Fazlur Rahman Ebrahim

* Resigned 14 May 2010

** Resigned 15 July 2010

Accountability for the SC's capacity to manage risks to its mission, objectives and goals rests with the Management Committee. ...e Management Committee defines the various roles and responsibilities with regard to risk management throughout the organisation, sets the SC's risk appetite and takes responsibility for shaping and

reinforcing the SC's risk culture and establishing sound internal control systems.

More elaborate description of the SC's risk management and internal control systems are provided in the Statement on Internal Control on pages 6-11 to 6-13.

Assurance

Our internal audit function is independent of line operations and functionally, reports directly to the Audit Committee.

Financial Reporting

...e Commission exercised due care and took reasonable steps to ensure that the financial statements for the year 2010 presented a fair assessment of the SC's financial position and that the requirements of accounting standards were fully met.

Relationship with external auditors

...e Commission ensures that there are formal and transparent arrangements for the maintenance of a professional relationship with the external auditors through the Audit Committee. ...e role of the Audit Committee in relation to the external auditors is stated in the Audit Committee Report.

EXTERNAL STAKEHOLDER AND PUBLIC COMMUNICATION

Effective and ongoing communication with capital market participants is necessary to facilitate the discharge of the SC's responsibilities. We regularly meet our constituents to discuss operational matters and gather feedback on long-term measures for the development of the capital market. All press releases, publications, various guidelines and annual reports are posted on the official website – www.sc.com.my.

...e SC has an Investor Affairs and Complaints Department that receives and resolves public complaints.

SOCIAL RESPONSIBILITY

Good governance dictates a strong sense of responsibility towards stakeholders, employees, the community and environment. In 2010, the SC continued to embrace this responsibility by encouraging a positive impact through various activities with specific goals as follow:

- To increase awareness and support for underprivileged children;
- To encourage and facilitate learning in the cyber age;
- To cultivate a healthy lifestyle and diet among staff and family; and
- To adopt green initiatives for a more sustainable environment.

During the year, the SC held the Children for Children Day, a charity drive in aid of Nur Zaharah Orphanage in Janda Baik. Our staff members organised a charity bazaar and e-auction of toys and apparel. Other activities included face painting and a colouring competition for the children of staff. Some RM13,000 was collected and donated to Nur Zaharah Orphanage. To bring cheer to underprivileged children during the festive month of Syawal, a group of 45 children from Rumah Kasih Harmoni, Bandar Country Homes, Rawang, were hosted at the SC Hari Raya Open House for staff in September.

Given the Government's desire to transform Malaysia into a knowledge-based economy and to develop the broadband infrastructure, the SC organised a special talk by Jimmy Wales, the founder of Wikipedia for Malaysian technopreneurs and students at the Malaysian Multimedia University in Cyberjaya.

...e session, which took place on the sidelines of the World Capital Markets Symposium (WCMS 2010) in September, was organised in collaboration with the Multimedia Development Corporation (MDeC). Wales shared his vision, perspectives and insights by drawing from lessons of Wikipedia, as well as on the democratisation of information and knowledge and how to use or impart them responsibly. ...ese Malaysian technopreneurs and students, many of whom consider Wales to be their mentor, were clearly captivated by his engaging style and raised numerous questions from the floor.

...e SC had also donated used computers and books to Sekolah Kebangsaan Tanah Rata Cameron Highlands. ...e computers were welcome additions to the school's resource centre and computer lab where they helped increase the students' access to computers. ...e SC delegation also had a useful dialogue with the headmaster and teachers of the school.

...e SC has always encouraged a healthy lifestyle and diet for sta• and their families. With this in mind, many activities were organised throughout the year. ...ese included the SC's annual family day, a book fair and reading campaign, as well as workshops at which children of SC sta• were guided on how to optimise the use of their minds to achieve self-control, confidence and a sense of internal clarity.

...e SC's annual Health & Safety Week activities included talks on safe driving and car maintenance, crime prevention and organ donation, a blood donation drive and health

screening, among others. To encourage healthy eating habits the SC also introduced and served a healthy breakfast to all sta• throughout the Health & Safety Week.

To build a greener and more sustainable environment, the SC had already banned the use of styrofoam containers in the SC cafeteria and provided sta• with reusable lunch boxes. In 2010, we continued our efforts by giving sta• reusable eco carrier bags in an effort to reduce usage of plastic bags. Members of the sta• are also encouraged to purchase additional eco bags for family and friends and all sale proceeds will go to charity.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

As the statutory regulator of the Malaysian capital market advocating high standards of corporate governance, the SC adopts principles and best practices of corporate governance, which includes having a sound system of internal controls to ensure that our operations are aligned towards the achievement of the SC's mission, objectives and goals. Although not subjected to any requirement to make a statement on internal control, the Commission acknowledges and follows the good governance practice.

RESPONSIBILITIES FOR RISK MANAGEMENT AND INTERNAL CONTROL

...e Commission affirms its responsibility and accountability for achieving the SC's mission, objectives and goals. Our risk management and internal control systems are designed to provide reasonable assurance that we are meeting our mission, objectives and goals.

...e Management Committee is accountable to the Commission for having in place an effective risk management framework and internal control systems. ...e Audit Committee reviews the SC's financial statements, as well as the adequacy of internal control systems and the audit activity on behalf of the Commission, as set out in the Audit Committee Charter of the SC. ...e Audit Committee Report describes the terms of reference of the Audit Committee in greater detail.

RISK MANAGEMENT

Risk management is part of our regular work; examples of risk-based approaches we use include risk-based

supervision, strategic enforcement, product and regulatory reviews, market crisis framework, and disaster recovery for IT and facilities. We also integrate these efforts under a single enterprise risk management programme to:

- Give assurance that we are regularly identifying and managing risks to our strategic goals and activities;
- Give a holistic view of risks to help the Management Committee and the Commission set priorities and make well-informed decisions;
- Facilitate information-sharing, work co-ordination and clear line-of-sight, so that we make more efficient use of our resources and avoid duplication of efforts; and
- Provide a common risk assessment approach that aligns the way we define risks and assesses whether issues are unacceptable, tolerable or acceptable.

...rough the enterprise risk and business planning processes, we align our work goals, strategies and programmes across the organisation with the key risks in our business environment; arising from our areas of responsibility in the capital market; and concerning operational and resource issues. In addition, we assess the effectiveness of our work programmes, organisational-wide controls and governance practices in mitigating risks to our business goals, objectives and mission.

We manage enterprise risk through both a bottom-up and a top-down approach. Departments identify and assess risks, and develop mitigation strategies, taking into consideration issues that have cross-functional and organisational-wide relevance. ...e Management Committee periodically reviews and validates these risks and mitigation strategies, and sets the overall risk tolerance for the organisation. ...e Commission oversees

the effectiveness of risk management, providing high-level guidance and an avenue for challenge on the assessment of strategic risk issues.

In 2010, we enhanced the enterprise risk management and business planning process so that our work programmes are more closely aligned with key risks. We completed work on strengthening business continuity management, in particular moving our secondary site to a newer, better-equipped and more robust recovery centre in i-City Shah Alam. We tested relocated back-up systems, and conducted a mock-run of new evacuation and disaster recovery protocols and procedures. At the same time, we also documented and raised staff awareness of emergency arrangements under the “In Case of Emergency” framework.

INTERNAL AUDIT

The Internal Audit department assists the Audit Committee in the discharge of its duties and responsibilities. It independently reviews the risk profile and control processes implemented by the SC's management, and reports directly to the Audit Committee on at least a quarterly basis.

The Internal Audit practices are governed by the Internal Audit Charter, which is subjected to periodic review. The Annual Audit Plan is primarily developed using a risk-based audit planning framework which ensures alignment with the SC's objectives and key risk areas. It is subject to feedback from the Management Committee; review and approval by the Audit Committee and is reviewed during the middle of the year for relevancy and possible reprioritisation.

Audit activities for the year are dictated by the approved Annual Audit Plan. Audit engagements are carried out using a participative risk based audit approach and outcomes of the audit engagements are shared with the Management Committee and tabled to the Audit Committee.

The Audit Committee, among others, oversees the adequacy of the scope, function and resources of the Internal Audit department.

MONITORING AND REVIEW

The monitoring of the effectiveness of risk management and internal control systems are embedded in the SC's operations. The processes adopted to monitor and review the effectiveness of risk management and internal control systems include:

- The delegation of responsibilities to committees of the Commission through clearly defined terms of reference;
- The Management Committee's representation to the Commission on the control environment of the SC;
- The Management Committee's regular review to discuss operational and strategic issues at senior management level to ensure focus on the achievement of its business plan and goals;
- The SC Business Plan, is monitored closely by the Management Committee and reported to the Commission;
- The SC's risk profile is reported to the Commission periodically;
- The Internal Audit's independent assessments on the effectiveness of internal controls in selected areas in accordance with the Annual Audit Plan approved by the Audit Committee. The significant issues and recommendations for improvements are highlighted from these assessments to the Management Committee and Audit Committee, and implementation of action plans are monitored and reported periodically; and
- The Audit Committee reviews of the internal control issues identified by Internal Audit and the external auditors' reports, and evaluation of the effectiveness and adequacy of the SC's internal control system.

CONTROL ENVIRONMENT

Other key elements encompassing the SC's control environment include:

- An organisation structure with clearly defined responsibilities and delegation of responsibilities to its committees to assist the Commission in performing

its key regulatory functions, which is also set out in this annual report;

- ...e annual Business Plan containing the SC's business goals, strategies, key projects, resource needs and budget, which is approved by the Commission;
- ...e Code of Ethics and the Code of Conduct (including ...e Code of Practice on the Prevention and Eradication of Sexual Harassment) which set out the expectations required of sta• on ethical conduct and standards of behavior;
- ...e Internal Whistleblowing Procedure which was established in 2007 as a safe channel of communication for individuals to expose or report internal wrongdoing or suspected breaches of law within the organisation.
- ...e Statement of Principles and Standards which was introduced in December 2010 as the SC's commitment to the observance and practice of the highest ethical standards in conducting business with the suppliers, contractors, vendors, consultants and other relevant stakeholders.
- ...e Con—ict of Interest Declaration which is required of sta• when faced with a con—ict situation.
- ...e SC Policy-Making Framework which was established in April 2010 to ensure greater accountability, more robust challenge and validation to improve consistency of policies and policy-actions.
- ...e Policy and Guidelines on Procurement which was revised during the year emphasising on accountability, due diligence, fair evaluation and transparent decision-making throughout the procurement process. Implementation of Integrity Pacts was incorporated in the policy and all vendors are required to embrace the spirit of commitment to integrity as a preventive control measure to demonstrate and ensure arm's length transactions. Declaration on con—ict of interest, non-disclosure agreement and Vendor Code of Conduct were introduced to further ensure accountability and integrity of the procurement process. In addition, the procurement policy also encourages engagement with environmentally and socially responsible vendors.
- ...e IT User Policy which was established to ensure

the e•ective protection and proper usage of the SC's computer systems. It is a guide for e•cient and disciplined IT department management and provides unambiguous and precise reference for IT department personnel in carrying out their duties and for users in utilising the computer systems;

- ...e Records Management Policy which was established to give clear guidance of the standards and procedures that need to be put in place to ensure that records are ÿt to be used as evidence and/or information by the SC, in carrying out business operations or legal obligations; and
- ...e Business Process Flows which are available on the SC's intranet to serve as a guide to all sta•, particularly new recruits, in understanding the SC's operations.

REVIEW OF THE STATEMENT BY THE COMMISSION

...e Commission acknowledges the representations in this statement and is of the view that the risk management and internal control systems have been adequately re—ected. ...e Commission and the Management Committee will continue to strengthen the internal control environment of the SC, and further enhance its risk management framework.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

...e external auditors have reviewed this Statement on Internal Control for the inclusion in the SC's annual report for the ÿnancial year ended 31 December 2010.

Based on their review, the external auditors have reported to the Audit Committee that nothing had come to their attention that caused them to believe that the Statement on Internal Control is inconsistent with their understanding of the process the Commission has adopted in the review of the adequacy and integrity of the system of internal control.

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT

...e SC is pleased to present the Audit Committee Report for the financial year ended 31 December 2010.

MEMBERS AND MEETINGS

...e Audit Committee comprises the following non-executive members of the SC:

- Dato' Gumuri Hussain (Chairman);
- Datuk Francis Tan Leh Kiah (Alternate Chairman);
- Fazlur Rahman Ebrahim; and
- Datuk Wira Ismail Salleh.

...e Committee convened five meetings, which were attended by the majority of its members, during the financial year. It has been a practice since 6 August 2009 to invite a member of senior management to the Audit Committee meetings.

TERMS OF REFERENCE

...e Audit Committee is a committee of the Commission. ...e Commission determines the membership and appoints the Chairman and members of the Audit Committee.

...e Committee meets at least four times a year or as frequently as required and needs a quorum of two. ...e Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. ...e proceedings of the Committee are recorded and the minutes of meetings are tabled at Commission meetings.

...e purpose, authority and responsibility of the Audit Committee are set out in the Audit Committee Charter.

...e main responsibilities of the Audit Committee are:

- (i) to assist the Commission in its review of the adequacy and effectiveness of the SC's risk management and internal control systems;
- (ii) to consider and recommend the appointment of the external auditor, their remuneration and any issues regarding their performance;
- (iii) to review the external auditor's audit scope and plans of audit, including coordination of audits efforts with internal audit;
- (iv) to review the accounting policies and practices adopted by the SC in the preparation of its financial statements and the integrity of the financial reporting processes;
- (v) to review the annual financial statements and make appropriate recommendation(s) to the Commission regarding the adoption of the SC's annual financial statements and the level of disclosure, focusing in particular on:
 - compliance with applicable accounting standards;
 - changes in significant accounting policies and practices;
 - significant adjustments arising from the audit; and
 - significant unusual events.
- (vi) to support and provide direction to the Internal Audit Department to ensure its effectiveness;
- (vii) to consider and review the findings arising from internal audit reports or other internal investigations and responses by the management, and to determine

appropriate corrective actions required of the management;

- (viii) to review the implementation of all recommendations made by the Internal Audit Department; and
- (ix) to review the effectiveness of processes and procedures to ensure compliance with laws, regulations and contracts.

ACTIVITIES OF THE COMMITTEE

During the financial year, the main activities of the Audit Committee included the following:

- Review of the audit findings, auditor's report and management letter and management's responses arising from the statutory audit for the financial year ended 31 December 2009;
- Review of the financial statements for the financial year ended 31 December 2009 prior to presentation to the Commission;
- Review and approval of the external audit plan for the financial year ended 31 December 2010. Various

audit and accounting issues were discussed at the Audit Committee meetings;

- Review of the Audit Committee Charter and Internal Audit Charter;
- Review and approval of the internal audit plan for the financial year ending 31 December 2011; and
- Review of internal audit reports, recommendations made and management responses to these recommendations. ...e Audit Committee also monitored implementation of agreed actions and suggestions for improvements arising from the audits performed.

INTERNAL AUDIT

...e Internal Audit Department assists the Audit Committee in the discharge of its duties and responsibilities. During the financial year, Internal Audit Department regularly reported to the Audit Committee on the adequacy and effectiveness of internal controls and compliance with policies and procedures. ...e department also monitored to ensure that the recommendations to improve controls were followed through by management. In addition, the Internal Audit Department played an advisory role in the course of performing its audit activities.

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

	Note	2010 RM'000	2009 RM'000 restated
Non-current assets			
Property, plant and equipment	3	199,825	205,994
Long term receivables	5	21,515	23,824
Other investments	6	188,729	139,781
		<u>410,069</u>	<u>369,599</u>
Current assets			
Trade and other receivables	7	25,527	27,222
Cash and cash equivalents	8	537,537	564,172
		<u>563,064</u>	<u>591,394</u>
Total assets of the SC		973,133	960,993
Total assets of the Audit Oversight Board Fund	9	4,549	–
Total assets		<u>977,682</u>	<u>960,993</u>
Reserves			
Accumulated surplus		782,924	768,675
BMSB compensation fund reserve	10	100,000	100,000
Human Capital Development (HCD) fund reserve	11	8,110	10,000
Audit Oversight Board fund reserve	9	4,450	–
Total reserves		<u>895,484</u>	<u>878,675</u>
Long term liability			
Retirement benefits	12	<u>29,839</u>	<u>26,383</u>
Current liabilities			
Other payables	13	<u>52,260</u>	<u>55,935</u>
Total liabilities of the SC		82,099	82,318
Total liabilities of the Audit Oversight Board Fund	9	<u>99</u>	<u>–</u>
		<u>82,198</u>	<u>82,318</u>
Total reserves and liabilities		<u>977,682</u>	<u>960,993</u>

† The notes on pages 6-20 to 6-38 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	Note	2010 RM'000	2009 RM'000 restated
Income			
Levies		94,755	77,361
Fees and charges		29,571	19,524
Financing income on:			
– Fixed deposits and other instruments		23,065	23,757
– Staff loan		3,456	2,070
Licence fee		2,439	–
Other income		957	1,176
		<u>154,243</u>	<u>123,888</u>
Less: Expenditure			
Staff costs	14	91,451	82,311
Administration expenses		31,948	27,504
Depreciation of property, plant and equipment	3	11,172	11,897
Rental expenses		423	559
Human capital development (HCD) expense	11	1,890	–
		<u>136,884</u>	<u>122,271</u>
Net surplus of the SC		17,359	1,617
Net deficit of the Audit Oversight Board Fund		(550)	–
Total comprehensive income for the year		<u>16,809</u>	<u>1,617</u>

† The notes on pages 6-20 to 6-38 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2010

	BMSB compensation fund reserve RM'000	HCD fund reserve RM'000	Accumulated surplus RM'000	Audit Oversight Board fund reserve RM'000	Total RM'000
At 1 January 2009	100,000	10,000	767,058	–	877,058
Total comprehensive income for the year	–	–	1,617	–	1,617
At 31 December 2009	100,000	10,000	768,675	–	878,675
Total comprehensive income for the year	–	–	16,809	–	16,809
HCD charge for the year	–	(1,890)	1,890	–	–
Transfer of accumulated surplus to the AOB fund reserve	–	–	(5,000)	5,000	–
Transfer of net deficit of the AOB fund to the AOB fund reserve	–	–	550	(550)	–
At 31 December 2010	<u>100,000</u>	<u>8,110</u>	<u>782,924</u>	<u>4,450</u>	<u>895,484</u>
	Note 10	Note 11		Note 9	

† The notes on pages 6-20 to 6-38 are an integral part of these financial statements.

STATEMENT OF CASH FLOW

for the year ended 31 December 2010

	Note	2010 RM'000	2009 RM'000 restated
Cash flows from operating activities			
Net surplus		16,809	1,617
Adjustments for:			
Depreciation of property, plant and equipment	3	11,172	11,897
Provision for retirement benefits	12	3,686	3,361
Income received from fixed deposits and other investments		(23,065)	(23,757)
Gain on disposal of property, plant and equipment	15	(183)	(120)
Operating surplus/(deficit) before working capital changes		8,419	(7,002)
Changes in working capital:			
Trade and other receivables		(5,694)	(4,215)
Other payables		(3,577)	28,241
Cash (used in)/generated from operations		(852)	17,024
Tax refund		–	323
Net cash (used in)/generated from operating activities		<u>(852)</u>	<u>17,347</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(5,004)	(8,905)
Proceeds from long term receivables		4,373	4,818
Proceeds from disposal of property, plant and equipment		184	176
Additional investments in Malaysian Government Securities		(48,948)	(115,112)
Income received from fixed deposits and other investments		28,268	19,727
Decrease/(Increase) in restricted deposits		7,245	(25,189)
Retirement benefits paid	12	(230)	(155)
Net cash used in investing activities		<u>(14,112)</u>	<u>(124,640)</u>
Net decrease in cash and cash equivalents		<u>(14,964)</u>	<u>(107,293)</u>
Cash and cash equivalents at beginning of year		521,431	628,724
Cash and cash equivalents at end of year		<u>506,467</u>	<u>521,431</u>
Cash and cash equivalents comprise:			
Cash and bank balances	8	1,392	8,403
Deposits placed with licensed banks	8	499,145	518,769
Deposits placed with scheduled institution	8	37,000	37,000
AOB Fund cash and bank balances	9	4,425	–
		541,962	564,172
Less: Restricted deposits	8	(35,495)	(42,741)
		<u>506,467</u>	<u>521,431</u>

† The notes on pages 6-20 to 6-38 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

† The Securities Commission Malaysia (SC) is the regulatory agency for the regulation and development of capital markets. † The SC has direct responsibility for supervising and monitoring the activities of market institutions including the exchanges and clearing houses and regulating all persons licensed under the *Capital Market and Services Act 2007*. † The address of the Securities Commission Malaysia is:

3, Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur, Malaysia

† The financial statements were approved by the Commission on 9 February 2011.

1. Basis of preparation

(a) Statement of compliance

† The financial statements of the SC have been prepared in accordance with the Financial Reporting Standards (FRS) in Malaysia.

† The SC shall apply the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) once they become effective.

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- Improvements to FRSs (2010)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)

† The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior period's financial statements upon their first adoption.

† The initial application of the other standards, amendments and interpretations is not expected to have any material impact on the financial statements of the SC.

(b) Basis of measurement

† The financial statements of the SC have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

† These financial statements are presented in ringgit Malaysia (RM), which is the SC's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

† The preparation of financial statements in conformity with the FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

† There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

2. Significant accounting policies

† The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the SC, other than those disclosed in Note 2(a) – Financial Instruments.

(a) Financial instruments

Arising from the early adoption of FRS 139, with effect from 1 January 2009, financial instruments are categorised and measured using accounting policies as mentioned below.

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the SC becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

† The SC categorises financial instruments as follows:

Financial assets**(a) Financial assets at fair value through profit or loss**

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the SC has the positive intention and ability to hold to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(g)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control of substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts, if any, of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” or “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the SC and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the SC will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative year are as follows:

Leasehold land	Over the leased period of 99 years expiring in 2094
Buildings	20%
Office equipment, furniture and fittings	10% – 20%
Computer and application systems	33 1/3%
Motor vehicles	20%

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the reporting date.

(c) Prepaid lease payments

Leasehold land that normally has an indefinite economic life, and title is not expected to pass to the lessee by the end of the lease term, is treated as an operating lease. Payments made on entering into or acquiring leasehold land is accounted for as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

Prior to the adoption of Amendment to FRS 117, the SC had previously classified the leasehold land as operating lease and had recognised the amount of payments made on entering into or acquiring the land as prepaid lease payments. The land is amortised over the lease term in accordance with the pattern of benefits provided. On adoption of Amendment to FRS 117, the SC treats such lease of land that meets the definition of finance leases as property, with the unamortised carrying amount classified as leasehold land within property, plant and equipment. The land is accounted for in these financial statements in accordance with the accounting policy for property, plant and equipment. The effects of adopting Amendment to FRS 117 had been accounted for retrospectively in accordance with the transitional provisions of the standard. This change in accounting policy does not impact on the SC's reported income and net assets.

The prepaid lease payments are amortised over the lease term of ninety nine (99) years.

(d) Trade and other receivables

Prior to 1 January 2009, receivables were initially recognised at their cost and subsequently, stated at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with policy Note 2(a).

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flow, cash and cash equivalents are presented net of restricted deposits.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy Note 2(a).

(f) Other investments

Prior to 1 January 2009, investments in Malaysian Government Securities held as long-term investments are stated at cost less allowance for diminution in value.

Following the adoption of FRS 139, investments in Malaysian Government Securities are categorised and measured as held-to-maturity in accordance with policy Note 2(a).

(g) Impairment**(i) Financial assets**

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss for available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised.

An impairment loss for unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

(ii) Non-financial assets

The carrying amounts of assets (except for financial assets) are reviewed at each end of the reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Liabilities

Prior to 1 January 2009, payables are measured initially and subsequently at cost.

Following the adoption of FRS 139, payables are categorised and measured as financial liabilities in accordance with policy Note 2(a).

(i) Provisions

A provision is recognised if, as a result of a past event, the SC has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(j) Taxation

The SC was granted approval from the Minister of Finance to be exempted from taxation with effect from Year Assessment (YA) 2007 onwards.

(k) Recognition of income and expenditure

All income and expenditure are accounted for on an accrual basis.

Financing income received from fixed deposits and other investments is recognised as it accrues, using the stipulated rates.

(l) Employee benefits**(i) Emoluments**

Wages and salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the SC.

(ii) Defined contribution plans

As required by law, eligible employers in Malaysia make contributions to the Employees Provident Fund (EPF). Such contributions are recognised as an expense in profit or loss as incurred.

(iii) Post retirement medical benefits

The SC provides post retirement medical benefits to eligible employees engaged prior to 1 January 2003. The SC's obligations under this scheme are determined based on actuarial valuation (conducted every three years) where the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is determined by the actuaries using the Projected Unit Credit actuarial method. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees when the cumulative unrecognised actuarial gains or losses for the scheme exceed 10% of the higher of the present value of the benefit obligation and the fair value of plan assets. Past service cost is recognised immediately to the extent that benefits are already vested, and otherwise, is amortised on a straight line basis over the average period until the amended benefits become vested.

3. Property, plant and equipment

	Note	Leasehold land RM'000	Buildings RM'000	Office equipment, furniture and fittings RM'000	Computer and application system RM'000	Motor vehicles RM'000	Capital- work-in- progress RM'000	Total RM'000
Cost								
At 1 January 2009, restated		–	232,387	89,559	72,792	2,229	606	397,573
– As previously stated		9,154	–	–	–	–	–	9,154
Effect of adopting amendment to FRS 117								
At 1 January 2009, restated		9,154	232,387	89,559	72,792	2,229	606	406,727
Additions		–	–	1,271	2,812	373	4,449	8,905
Disposal		–	–	(115)	(4)	(811)	–	(930)
Write-off		–	–	(530)	(985)	–	–	(1,515)
Transfer (to)/from		–	–	393	299	–	(692)	–
At 31 December 2009								
– As previously stated		–	232,387	90,578	74,914	1,791	4,363	404,033
Effect of adopting amendment to FRS 117		9,154	–	–	–	–	–	9,154
At 1 January 2010, restated		9,154	232,387	90,578	74,914	1,791	4,363	413,187
Additions		–	–	766	208	323	3,707	5,004
Disposal		–	–	–	–	(864)	–	(864)
Write-off		–	–	–	(5,054)	–	–	(5,054)
Transfer (to)/from		–	–	60	5,106	–	(5,166)	–
At 31 December 2010		9,154	232,387	91,404	75,174	1,250	2,904	412,273

3. Property, plant and equipment (continued)

	Note	Leasehold land RM'000	Buildings RM'000	Office equipment, furniture and fittings RM'000	Computer and application system RM'000	Motor vehicles RM'000	Capital- work-in- progress RM'000	Total RM'000
Depreciation and impairment loss								
At 1 January 2009, restated		–	44,345	84,404	65,802	1,765	–	196,316
– As previously stated		–	79	–	–	–	–	79
Accumulated depreciation		1,290	–	–	–	–	–	1,290
Accumulated impairment loss								
Effect of adopting amendment to FRS 117								
At 1 January 2009, restated	14	1,290	44,424	84,404	65,802	1,765	–	197,685
Depreciation for the year		92	4,648	3,025	3,862	270	–	11,897
Disposal		–	–	(115)	(3)	(756)	–	(874)
Write-off		–	–	(530)	(985)	–	–	(1,515)
At 31 December 2009								
– As previously stated		–	48,993	86,784	68,676	1,279	–	205,732
Accumulated depreciation		–	79	–	–	–	–	79
Accumulated impairment loss		1,382	–	–	–	–	–	1,382
Effect of adopting amendment to FRS 117								

3. Property, plant and equipment (continued)

	Note	Leasehold land RM'000	Buildings RM'000	Office equipment, furniture and fittings RM'000	Computer and application system RM'000	Motor vehicles RM'000	Capital- work-in- progress RM'000	Total RM'000
Depreciation and impairment loss								
At 1 January 2010, restated		1,382	49,072	86,784	68,676	1,279	–	207,193
Depreciation for the year	14	92	4,648	1,425	4,800	207	–	11,172
Disposal		–	–	–	–	(863)	–	(863)
Write-off		–	–	–	(5,054)	–	–	(5,054)
At 31 December 2010:								
– Accumulated depreciation		1,474	53,641	88,209	68,422	623	–	212,369
– Accumulated impairment loss		–	79	–	–	–	–	79
		1,474	53,720	88,209	68,422	623	–	212,448
Carrying amounts								
At 1 January 2009, restated		7,864	187,963	5,155	6,990	464	606	209,042
At 31 December 2009, restated		7,772	183,315	3,794	6,238	512	4,363	205,994
At 31 December 2010		7,680	178,667	3,195	6,752	627	2,904	199,825

4. Prepaid lease payments

	Leasehold land Unexpired period more than 50 years RM'000
Cost	
At 1 January 2009	
– As previously stated	9,154
Effect of adopting amendment to FRS 117	(9,154)
	<hr/>
At 1 January 2009/31 December 2009/1 January 2010, restated/31 December 2010	<hr/> <hr/> –
Amortisation	
At 1 January 2009	
– As previously stated	1,290
Effect of adopting amendment to FRS 117	(1,290)
	<hr/>
At 1 January 2009, restated	–
Amortisation for the year	
– As previously stated	92
Effect of adopting amendment to FRS 117	(92)
	<hr/>
At 31 December 2009/ 1 January 2010	
– As previously stated	1,106
Effect of adopting amendment to FRS 117	(1,106)
	<hr/>
	–
Amortisation for the year	–
	<hr/>
As 31 December 2010	<hr/> <hr/> –
Carrying Amount	
At 1 January 2009/31 December 2009/ 1 January 2010, restated	–
	<hr/>
At 31 December 2010	<hr/> <hr/> –

5. Long term receivables

	2010 RM'000	2009 RM'000
Loan to staff	27,463	30,395
Less: Unearned profit		
– Islamic financing on house and car	(3,889)	(4,483)
	<u>23,574</u>	<u>25,912</u>
Amount due within 12 months (Note 7)		
– Loan to staff	<u>2,059</u>	<u>2,088</u>
Amount due after 12 months		
– Loan to staff	<u>21,515</u>	<u>23,824</u>

Loan to staff relates to Islamic and conventional housing loans, Islamic and conventional motor vehicle loans, computer loans and study loans. The housing and motor vehicle loans are secured over the properties and motor vehicle of the borrowers respectively. The loans are repayable over a maximum period of 25 years, seven years, five years and four years respectively. The rate charged on these loans ranges from 2% to 4% per annum (2009: 2% to 4% per annum).

The maturity structures of the loan to staff as at the end of the financial year were as follows:

	2010 RM'000	2009 RM'000
Within 1 year	2,059	2,088
More than 1 year and up to 5 years	7,227	6,612
More than 5 years	14,288	17,212
	<u>23,574</u>	<u>25,912</u>

6. Other investments

	2010 RM'000	2009 RM'000
Held-to-maturity investments		
– Malaysian Government Securities	<u>188,729</u>	<u>139,781</u>
Market value:		
– Malaysian Government Securities	<u>191,686</u>	<u>140,725</u>

7. Trade and other receivables

	2010 RM'000	2009 RM'000
Loan to staff (Note 5)	2,059	2,088
Levies	11,503	6,874
Fees and charges	–	1,873
Income receivable	8,280	13,484
Other receivables	1,841	3,237
Deposit and prepayments	1,907	1,428
	<u>25,590</u>	<u>28,984</u>
Less: Allowance for doubtful debts		
– Loan to staff	(63)	(127)
– Fees and charges	–	(1,635)
	<u>25,527</u>	<u>27,222</u>

8. Cash and cash equivalents

	2010 RM'000	2009 RM'000
Cash and bank balances	1,392	8,403
Deposits placed with licensed banks	499,145	518,769
Deposits placed with scheduled institution	37,000	37,000
	<u>537,537</u>	<u>564,172</u>

† The deposits placed with licensed banks and a scheduled institution earned income at rates ranging from 2.5% to 3.5% per annum and for periods ranging from six months to 24 months.

Included in deposits placed with licensed banks are amounts restricted for brokers' security deposits of approximately RM17.2 million (2009: RM15.9 million), restitution of eligible investors from Swisscash transactions of RM3.8 million (2009: RM18.5 million), stockbroking industry development of RM14.0 million (2009: RM7.5 million) and other miscellaneous deposits of RM0.4 million (2009: RM0.8 million).

9. Audit Oversight Board Fund

9.1 On 1 April 2010, the SC established the Audit Oversight Board (AOB) under Section 31C of the *Securities Commission Act 1993* (the 'Act'). AOB was established for the purposes set out in Section 31B of the Act, namely:

- a. to promote and develop an effective and robust audit oversight framework in Malaysia,
- b. to promote confidence in the quality and reliability of audited financial statements in Malaysia, and
- c. to regulate auditors of public-interest entities.

To facilitate the abovementioned purposes, a fund known as the Audit Oversight Board (AOB) Fund (the 'Fund') was established under Section 31H of the Act. † e Fund is administered by the SC. † e SC provides administrative and accounting support to the Fund and the accounts are kept separate from the accounts of the SC in accordance with Section 31L(5) of the Act.

- 9.2 † e ŷnancial statements of the Fund, which are annexed to these ŷnancial statements, are prepared in accordance with Financial Reporting Standards in Malaysia.

† e assets and liabilities of the Fund as at 31 December 2010 are as follows:

	2010 RM'000
Audit Oversight Board Fund reserve	
– Fund from SC	5,000
– Accumulated deŷcit	(550)
	<u>4,450</u>
Represented by:	
Interest receivable	44
Deposit and prepayments	80
Cash and cash equivalents	4,425
Total assets	<u>4,549</u>
Total liability	
Other payables	(99)
	<u>4,450</u>

† e details of total assets, total liabilities and proŷt and loss of the Fund are disclosed in the audited ŷnancial statements of the Fund which are annexed to these ŷnancial statements.

10. BMSB compensation fund reserve

† is represents an amount of RM100 million (2009: RM100 million) allocated from the accumulated surplus for the Bursa Malaysia Securities Bhd (BMSB) Compensation Fund.

11. Human Capital Development (HCD) fund reserve

† is represents an amount of RM8.1 million (2009: RM10 million) allocated from the accumulated surplus for the SC's long-term commitment to support human capital development in the ŷnancial services industry. † e amount will be utilised over a period of ŷve years eŷective year 2008.

During the year, an amount of RM1.9 million has been charged to the statement of comprehensive income.

12. Retirement benefits

† e amounts recognised in the balance sheet are as follows:

<i>Post retirement medical benefits</i>	2010 RM'000	2009 RM'000
Present value of unfunded obligations	31,994	28,538
Unrecognised actuarial (losses)/gains	(2,155)	(2,155)
Net liability	<u>29,839</u>	<u>26,383</u>

Movements in the net liability recognised in the balance sheets:

Net liability at 1 January	26,383	23,177
Benefits paid	(230)	(155)
Expense recognised in profit or loss	3,686	3,361
Net liability at 31 December	<u>29,839</u>	<u>26,383</u>

Expenses recognised in profit or loss:

Current service cost	1,806	1,694
Interest on obligation	1,880	1,667
	<u>3,686</u>	<u>3,361</u>

Principal actuarial assumptions used at the balance sheet date (expressed as weighted averages):

	2010	2009
Discount rate	6.6%	6.6%
Price in. ation	3.5%	3.5%
Medical cost in. ation	5.0%	5.0%

Discount rate is based on long-term high quality Malaysian corporate bonds and government bonds of 15 years.

13. Other payables

	2010 RM'000	2009 RM'000
Accrued expenses	6,752	6,404
Brokers' security deposits	17,158	15,857
Other payables	28,350	33,674
	<u>52,260</u>	<u>55,935</u>

14. Staff costs

	2010 RM'000	2009 RM'000
Remuneration, bonus, staff medical, staff training and overtime	76,946	69,931
Employees Provident Fund	10,819	9,018
Retirement benefits	3,686	3,362
	<u>91,451</u>	<u>82,311</u>

15. Total comprehensive income for the year

	Note	2010 RM'000	2009 RM'000 restated
Total comprehensive income for the year is arrived at after charging:			
Allowance for doubtful debts		–	48
Auditors' remuneration:			
– Audit services		63	55
– Other services		5	5
Property, plant and equipment			
– Depreciation	3	11,172	11,897
Executive member:			
– Emoluments		1,288	1,251
Non-executive members' allowance		<u>311</u>	<u>246</u>
And crediting:			
Gain on disposal of property, plant and equipment		183	120
Reversal of allowance for doubtful debts		<u>1,699</u>	<u>–</u>

16. Related parties

The Chairman of the SC is also the Chairman of Securities Industry Development Corporation (SIDC) which is a company limited by guarantee. For the financial year ended 31 December 2010, the SIDC had incurred RM256,000 (2009: RM284,000), being management fees paid to the SC, out of which RM22,000 (2009: RM24,000) is still outstanding from SIDC. In addition, the SC had made a grant of RM3 million to SIDC in 2010 (2009: RM5 million).

17. Capital commitments

	2010 RM'000	2009 RM'000
Capital expenditure commitments		
Plant and equipment		
<i>Approved but not contracted for:</i>		
Within one year	<u>12,010</u>	<u>11,710</u>

18. Financial instruments

18.1 Financial risk management

† e SC has policies and guidelines on the overall investment strategies and tolerance towards risk. Investments are managed in a prudent manner to ensure the preservation and conservation of the funds. † e SC has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

18.2 Credit risk

Credit risk is the risk of a financial loss to the SC if a counterparty to a financial instrument fails to meet its contractual obligations. † e SC has a formal credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Fixed deposits are placed with licensed banks and with a scheduled institution. † e maximum exposure to credit risk is represented by the carrying amount of each financial asset.

† e ageing of receivables at the end of the reporting year is:

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2010				
Not past due	44,460	—	—	44,460
Past due 0 – 30 days	—	—	—	—
Past due 31 – 90 days	76	—	—	76
Past due 91 – 180 days	—	—	—	—
Past due more than 180 days	662	(63)	—	599
	45,198	(63)	—	45,135

† e net receivables that are past due, are not impaired as these receivables are secured over residential properties with total fair value amounting to RM1.3 million.

† e fair values of these collateralised properties are determined using the comparison method based on professional valuation.

No comparative ageing analysis is presented by virtue of the exemption given in paragraph 44AA of FRS 7.

† e movements in the allowance for impairment losses of receivables during the financial year are:

	2010 RM'000
At 1 January	1,762
Impairment loss reversed	(1,699)
At 31 December	63

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the sovereign or near sovereign.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the SC has only invested in government securities. • The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

18.3 Liquidity risk

Liquidity risk is the risk that the SC will not be able to meet its financial obligations as they fall due. • The SC monitors and maintains a level of cash and cash equivalents deemed necessary by the SC to finance its operations and to mitigate the effects of fluctuations in cash flows.

Maturity analysis

• The table below summarises the maturity profile of the SC's financial liabilities as at the end of the reporting period based on undiscounted contractual cash flow.

	Carrying amount RM'000	Contractual cash flow RM'000	Under 1 year RM'000
Financial liabilities			
Other payables	<u>52,260</u>	<u>52,260</u>	<u>52,260</u>

18.4 Fair value

Recognised financial instruments

In respect of cash and cash equivalents, trade and other receivables and other payables, the carrying amounts approximate fair value due to the relatively short-term nature of these financial instruments.

19. Reserves management

• The SC's financial management objective is to maintain adequate reserves to safeguard the SC's ability to perform its duties and functions independently and effectively. • The Management monitors the long term capital commitments to ensure that sufficient funds are available to meet the obligations. • The SC's investments are managed in a prudent manner to ensure the preservation of the funds.

20. Change in accounting policies

20.1 Amendment to FRS 117, Leases

† e SC has adopted the amendment to FRS 117. † e SC has reassessed and determined that all leasehold land of the SC are in substance finance leases, and has reclassified the leasehold land to property, plant and equipment. † e change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

21. Comparative figures

FRS 101, *Presentation of Financial Statements* (revised)

Arising from the adoption of FRS 101 (revised), income and expenditure statement for the year ended 31 December 2009 have been re-presented as the statement of comprehensive income.

Amendment to FRS 117, Leases

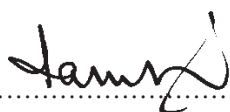
Following the adoption of the Amendment to FRS 117, certain comparatives have been re-presented as follows:

	As restated RM'000	As previously stated RM'000
Statement of comprehensive income for the year ended 31 December 2009		
Depreciation of property, plant and equipment	11,897	11,805
Amortisation of prepaid lease payments	—	92
Statement of financial position as at 31 December 2009		
Property, plant and equipment	205,994	198,222
Prepaid lease payments	—	7,772
Statement of cash flow for the year ended year 31 December 2009 – operating activities		
Depreciation of property, plant and equipment	11,897	11,805
Amortisation of prepaid lease payments	—	92

Statement by Commission Members

In the opinion of the members, the financial statements set out on pages 6-16 to 6-38 are drawn up in accordance with Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Securities Commission Malaysia as at 31 December 2010 and of its financial performance and its cash flows for the year ended on that date.

On behalf of the Commission members:



.....
Tan Sri Zarinah Anwar
Chairman



.....
Dato' Gumuri Hussain
Member


Kuala Lumpur,

Date: 9 February 2011

Statutory Declaration

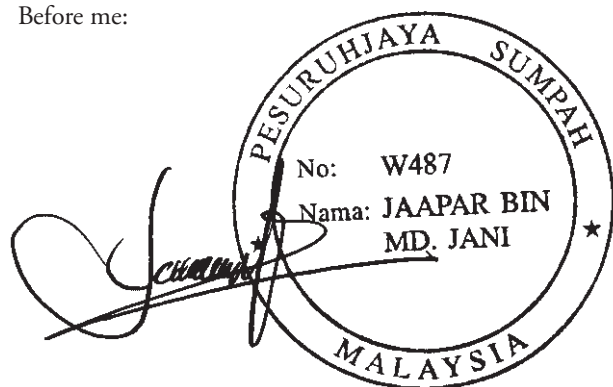
I, **Vignaswaran A/L Kandiah**, the officer primarily responsible for the financial management of the Securities Commission Malaysia, do solemnly and sincerely declare that the financial statements set out on pages 6-16 to 6-38 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the *Statutory Declarations Act, 1960*.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 9 February 2011.



.....
Vignaswaran A/L Kandiah

Before me:



Alamat tempat pemiagaan
Medan Selera Duta
Jalan Duta
50480 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE COMMISSION MEMBERS

Report on the Financial Statements

We have audited the financial statements of the Securities Commission Malaysia, which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6-16 to 6-38.

Commission's Responsibility for the Financial Statements

† The Commission is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards in Malaysia. † This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. † These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. † The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Securities Commission Malaysia's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Securities Commission Malaysia's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commission Members, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

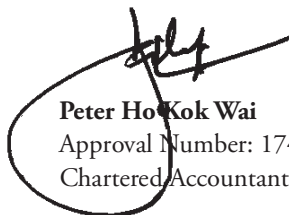
In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Securities Commission Malaysia as at 31 December 2010 and of its financial performance and cash flows for the year then ended.

Other Matters

† This report is made solely to the members of the Securities Commission Malaysia, as a body, and to the Minister of Finance and for no other purpose. We do not assume responsibility to any other person for the content of this report.



KPMG
Firm Number: AF 0758
Chartered Accountants



Peter Ho Kok Wai
Approval Number: 1745/12/11(J)
Chartered Accountant

Petaling Jaya,

Date: 9 February 2011

CORPORATE PROPOSALS

In the second half of the year, the division in charge of these regulatory functions was re-named the Corporate Finance and Investments Business Group due to the restructuring of the Issues and Investments Division.

• The restructuring was part of the SC's ongoing effort to enhance its organisational capabilities to ensure that it could effectively respond and adapt to the changing environment and needs.

SECURITIES ISSUES

(Tables 1 – 4)

During the year, we received a total of 102 corporate submissions, a decrease of 23% when compared with 133 submissions in year 2009. • The drop was due to the transfer of the SC being the approving authority on secondary fund-raising for equities to Bursa Malaysia in August 2009 and the spillover effect from the economic downturn arising from the global financial crisis in late 2008 and early 2009.

Together with 24 applications brought forward from 2009 which made a total of 126 submissions, we considered 105 submissions during the year. Fourteen submissions were withdrawn while the remaining seven were carried forward. Out of the 105 submissions considered, 100 were approved, three rejected and two deferred.

Fund raising via issues of private debt securities formed the bulk of the 100 submissions approved, constituting 61% of the total approvals. Equity approvals for listing in the Main Market of Bursa Malaysia took in 26 compared with 12 in year 2009.

All the 100 proposals approved were expected to raise RM77.025 billion in 2010, out of which 83% was represented by private debt securities.

PROSPECTUSES

(Tables 5)

• The SC received 88 new prospectuses for registration (comprising 47 for public offering and 41 of abridged prospectuses). • This was in addition to 43 prospectuses brought forward from 2009, bringing the total number of prospectuses in 2010 to 131. Out of the total 131 prospectuses, 75 were registered, 28 were either withdrawn or returned, while the remaining 28 were carried forward to 2011.

PRIVATE DEBT SECURITIES

(Table 6–7)

We received a total of 60 PDS submissions, an increase of 50% compared to 40 PDS submissions received in 2009. Out of these submissions, together with three submissions brought forward from 2009, we managed to approve 61 or 96.8% of the total PDS submissions on-hand for the year, comprising 52 ringgit-denominated PDS proposals and nine foreign currency denominated PDS proposals. One PDS submission was withdrawn and the remaining submission was carried forward to the next year.

During the year, we approved 52 ringgit-denominated PDS proposals amounting to RM63.6 billion as compared

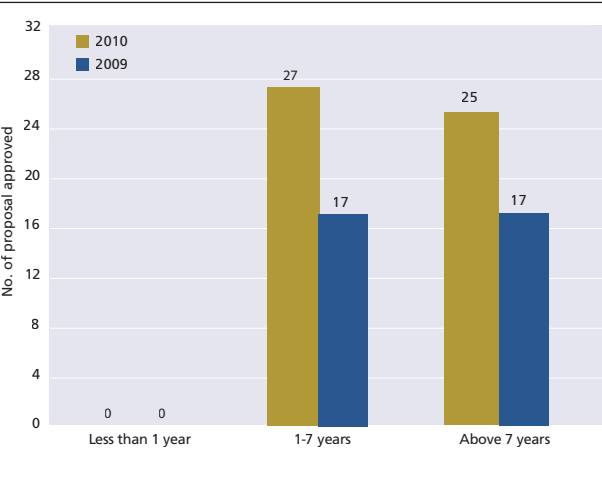
with 34 ringgit-denominated PDS proposals amounting to RM57.5 billion in 2009. Of the total 52 approvals, two with an aggregate value of RM3.1 billion were multi-currency issuance and three with an aggregate value of RM1.8 billion were asset-backed securities (ABS).

Sukuk accounted for 60.3% of the total approval size whereas conventional PDS accounted for 36.6%. The remaining 3.1% comprised a combination of sukuk and conventional PDS where their issue sizes were combined. Medium-term notes accounted for 34.6% of the total number of approvals, followed by bonds 26.9%,

commercial papers/medium-term notes (CP MTN) programme 25%, loan stocks 9.6% and commercial papers 3.8%. With regard to tenure, 27 or 51.9% of the total number of approvals had tenure of between one to seven years and the remaining 25 or 48.1% had tenure of more than seven years (Chart 1).

For 2010, a total of 62 ratings (based on initial rating) were assigned by the credit rating agencies to the respective approved PDS submissions, out of which 15 had a short-term rating of 'P1/MARC-1', one had a short-term rating of 'P2/MARC-2' while 46 had a long-term rating of between 'AAA' and 'BBB'. Eighteen PDS were not rated as they were either not required or were granted exemption from the rating requirement (Charts 2–3).

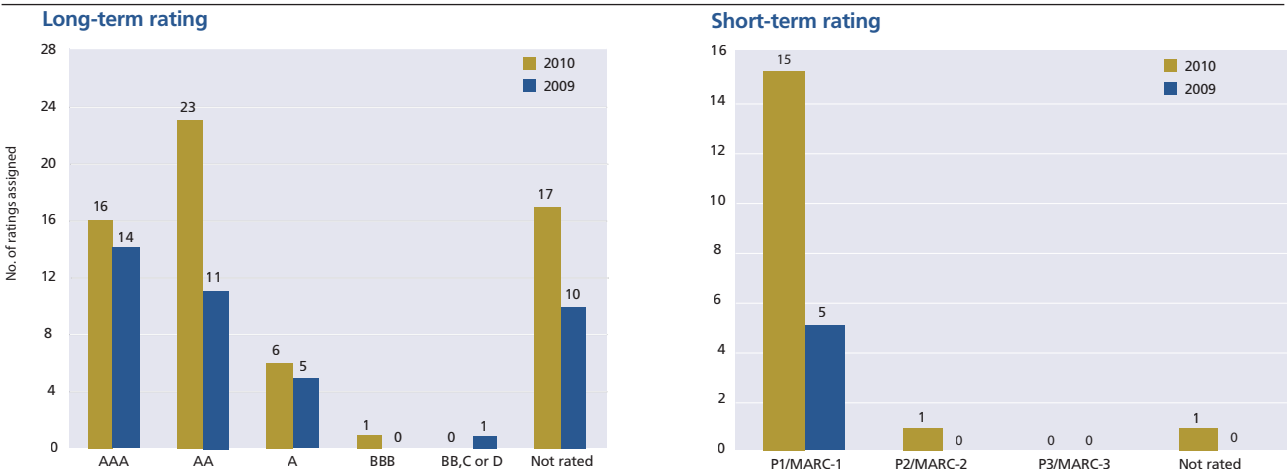
Chart 1
Tenure of approved ringgit denominated PDS proposals



The SC approved nine foreign currency denominated PDS proposals in 2010 comprising seven sukuk (as part of global offerings) and two conventional PDS, all by foreign issuers.

We received a total of 29 PDS-related submissions (comprising applications for waiver from complying with certain provisions in the SC's guidelines, extension of maturity date/ timeframe to implement PDS issuance, revision of terms and conditions prior to PDS issuance, and appeal against conditions imposed by the SC). Out of these submissions, we approved 27 or 93.1% of the total submissions on-hand for the year, and the remaining

Chart 2
Rating summary of approved ringgit-denominated PDS proposals



Note: A PDS proposal may be assigned with more than one credit rating. For CP/MTN programmes, both short-term rating accorded for CPs and long-term rating for MTNs are taken into account.

two submissions were rejected. We also approved two submissions of negotiable instruments of deposit.

TAKEOVERS AND MERGERS

(Table 8)

- The SC considered a total of 180 applications relating to the *Malaysian Code on Take-overs and Mergers 1998*.
- The number of applications considered has shown a slight increase of 5.9% as compared to 170 applications considered in 2009.

Of the 180 applications considered, 37 were for exemption from mandatory offer obligation, which represented a significant decrease of 35% from the previous year (2009: 57 applications). • The SC also cleared 27 offer documents in 2010, which slightly doubled the 13 offer documents cleared in 2009. • The remaining applications are in relation to clearance of independent advice circulars, extension of time, request for rulings, and others.

- There was a noticeable rise in the number of corporate take-overs in 2010 which saw 27 offers valued at a total of RM25.03 billion. Ease of financing and greater liquidity in the local banks are believed to be the main reasons for the rise in the number of corporate takeovers. • The value of take-over offers increased significantly from RM3.26 billion in 2009. • The most noteworthy, in terms of offer value, were the voluntary offer by Astro Holdings Sdn Bhd for Astro All Asia Networks

PLC valued at RM8.38 billion and the offer by Tanjong Capital Sdn Bhd for the privatisation of Tanjong Public Limited Company at RM8.79 billion. • The year also saw 11 voluntary offers undertaken where some formed part of the companies' delisting plans.

PROPERTY VALUATION

(Table 9)

- The number of properties reviewed picked up in 2010 after the introduction of the new regulatory framework in August 2009. A total of 11 public companies submitted 298 valuation reports which involved property assets worth RM8.7 billion to the SC for various corporate proposals. Of the 11 submissions that required the SC's approval, fund-raising via IPO took the lead at 45% followed by acquisitions by listed REITs. We also cleared 72 prospectuses pertaining to valuation certificates and disclosures on property assets as compared to 20 in 2009. Four waiver applications and eight applications on extension of time to comply with conditions imposed were considered, as against two and 15 in 2009.

In 2010, Bursa referred a total of 88 valuation reports involving 96 valuation certificates submitted by 42 corporations for the SC's review. • The valuation reports and certificates were prepared in relation to transactions which required shareholders' approval. • The valuation reports involved property assets valued at RM9.4 billion.

KEY STATISTICS

Table 1

Status of submissions

Submissions	2010	2009
Submissions brought forward from the previous year	24	17
Submissions received during the year	102	133
Submissions on-hand for the year	126	150
Submissions considered during the year	(105)	(114)
Submissions withdrawn/returned during the year	(14)	(12)
Submissions carried forward to the next year	7	24

Table 2

Listing proposals considered

	Main Market	
	2010	2009
Approved	26	12
Rejected	1	2
Deferred	2	0
Total	29	14

Table 3

Number of submissions considered by types of proposal

Type of proposals	Approved		Rejected		Deferred		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Listing on Main Market: ¹								
– Domestic companies	22	8	0	2	1	0	23	10
– Foreign companies	4	4	1	0	1	0	6	4
Subtotal	26	12	1	2	2	0	29	14
Reverse take-overs/Restructuring	0	9	2	2	0	0	2	11
Cross Listing of Malaysian Corporation	2	0	0	0	0	0	2	0
Transfer to Main Market	5	4	0	0	0	0	5	4
Fund-raising via issues of private debt securities ²	61	40	0	0	0	0	61	40
Others ³	6	7	0	0	0	0	6	7
Total	100	72	3	4	2	0	105	76

¹ Since 3rd August 2009, the Main and Second Boards have been merged into a single unified board called the Main Market.² Includes foreign currency denominated proposals.³ Includes proposals by unlisted companies.

Table 4

Amount of funds raised/to be raised by type of issues

Type	Funds raised/to be raised			
	(RM million)		(%)	
	2010	2009	2010	2009
IPOs				
– Amount raised by PLCs	4,458.20	668.58	5.79	0.95
– Amount raised by offerors	8,984.37	12,095.91	11.66	17.22
Funds raised via debt				
– Conventional	23,255.24	23,530.45	30.19	33.50
– Sukuk	38,328.00	33,955.00	49.76	48.33
– Combination	2,000.00	0	2.60	0
Total	77,025.81	70,249.94	100.00	100.00

Note: Funds to be raised via equity in 2009 was RM15,649.86 million.

Table 5

Equity prospectuses considered

	2010			2009					
	Full	Abridged	Total	Full	Modified	Term Sheets	Abridged	Supplementary	Total
Balance brought forward	42	1	43	26	0	0	0	0	26
Received during the year	47	41	88	35	6	124	21	14	200
Total	89	42	131	61	6	124	21	14	226
Less:									
Prospectus registered	(33)	(42)	(75)	(13)	(6)	(124)	(20)	(14)	(177)
Withdrawn/returned	(28)	0	(28)	(6)	0	0	0	0	(6)
Pending registration	28	0	28	42	0	0	1	0	43

Table 6

Status of PDS submissions

PDS submissions	2010	2009
Submissions brought forward from the previous year	3	4
Submissions received during the year	60	40
Total submissions on-hand for the year	63	44
Less: Submissions approved during the year	(61)	(40)
Less: Submissions withdrawn/returned during the year	(1)	(1)
Submissions carried forward to the next year	1	3

Table 7

Approved ringgit-denominated PDS proposals

	2010		2009	
	No. of proposals	Size (RM million)	No. of proposals	Size (RM million)
Conventional				
– Short-term notes/CPs	1	150.00	–	–
– MTNs	10	13,500.00	2	2,600.00
– CP/MTN programmes	5	2,355.00	2	2,250.00
– Bonds	10	7,025.00	11	17,411.33
– Loan stocks	5	225.24	8	1,269.12
Total	31	23,255.24	23	23,530.45
Sukuk				
– Short-term notes/CPs	–	–	–	–
– MTNs	8	22,255.00	3	3,350.00
– CP/MTN programmes	8	12,135.00	4	25,750.00
– Bonds	4	3,938.00	4	4,855.00
Total	20	38,328.00	11	33,955.00
Combination				
– Short-term notes/CPs	1	2,000.00	–	–
Total	1	2,000.00	–	–
Grand total	52	63,583.24	34	57,485.45

Table 8

Applications considered in respect of take-overs and mergers

Type of Applications	2010	2009
Clearance of offer document	27	13
Exemption from mandatory offer obligation	37	57
Clearance of independent advice circular	38	37
Appointment of independent adviser	42	37
Extension of time	6	6
Request for rulings and other ancillary applications	30	20
Total	180	170

Table 9

Valuation reviewed by types of proposal

Type of proposals	Number of companies (No. of reports)				Number of properties		Market value (RM million)	
	2010		2009*		2010	2009*	2010	2009*
Initial Public Offering:								
Main Market								
– Companies	5	(279)	6	(45)	470	101	5,292	705
– Real Estate Investment Trust	2	(9)	–	–	13	–	2,486	–
ACE Market	–	–	–	–	–	–	–	–
Acquisition by real estate investment trust	4	(10)	–	–	12	–	1,088	–
BDL/RTO	–	–	1	(1)	–	1	–	6
Total	11	(298)	7	(46)	495	102	8,866	711
Cases referred by Bursa Malaysia:								
Main Market								
– Acquisition and disposal	36	(82)	11	(13)	1,650	41	9,235	1,499
– Restructuring	–	–	–	–	–	–	–	–
– Bonus issues/Rights Issues	1	(1)	–	–	9	–	119	–
ACE Market								
– Acquisition and disposal	3	(3)	1	(2)	3	2	30	4
– Restructuring	2	(2)	–	–	2	–	50	–
– Bonus issues/Rights Issues	–	–	–	–	–	–	–	–
Total	42	(88)	12	(15)	1,664	43	9,434	1,503

* New regulatory framework introduced in August 2009.

INVESTMENT MANAGEMENT

INTRODUCTION

As at 31 December 2010, total funds managed by licensed fund management companies in Malaysia rose by 19.8% to RM377.5 billion compared to RM315 billion in 2009. Sources of funds under management included private pension funds, Employees Provident Fund (EPF), unit trust funds, corporate bodies and charitable bodies (Table 1).

• The five largest fund management companies accounted for 67% of total funds under management, as compared to 66.1% at the end of 2009 (Chart 1). • The amount of onshore investment by fund management companies increased from RM270.1 billion as at end-2009 to RM322.5 billion as at end-2010 (Chart 2). Asset allocation in equities increased from 54.6% as at end-2009 to 55.3% as at end-2010 (Chart 3). Reliance on equities in the asset allocation was also evident for investments inside and outside of Malaysia (Chart 4).

Chart 1
Percentage of funds managed by fund management companies

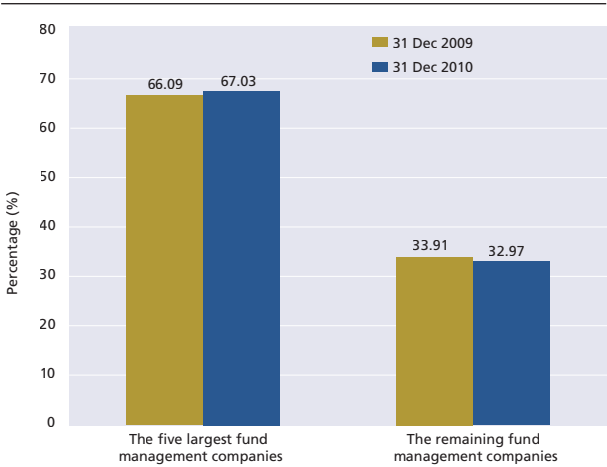


Table 1
Source of clients' funds under management

	Local (RM million)		Foreign (RM million)	
Type of funds	2010	2009	2010	2009
Unit trust funds*	226,811.58	191,706.28	1,082.64	1,620.69
Corporate bodies	42,517.59	36,787.02	7,091.38	6,070.41
Employees Provident Fund	38,837.78	27,861.16	–	–
Wholesale funds	18,657.88	13,958.74	146.32	140.10
Individual	3,219.37	2,740.07	254.57	227.79
Private pension funds	2,296.52	1,274.88	1,938.51	1,059.03
Charitable bodies	483.50	224.45	83.28	20.74
Other funds	32,341.18	27,629.86	1,733.58	3,701.79
Total	365,165.40	302,182.46	12,330.28	12,840.55

* Includes Islamic unit trust funds.

Chart 2
Funds invested inside and outside of Malaysia

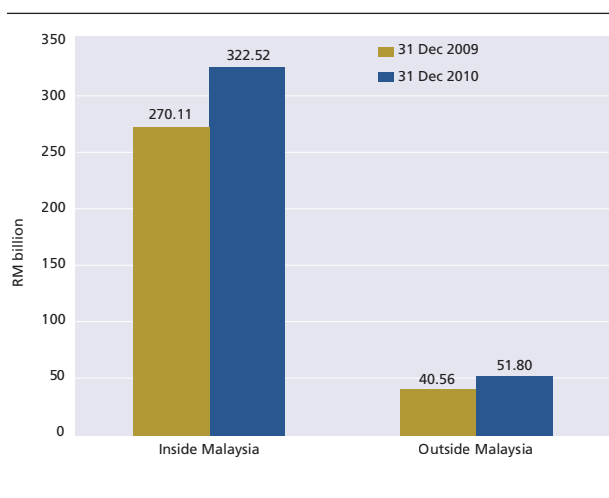


Chart 4
Asset allocation inside and outside of Malaysia as at 31 December 2010

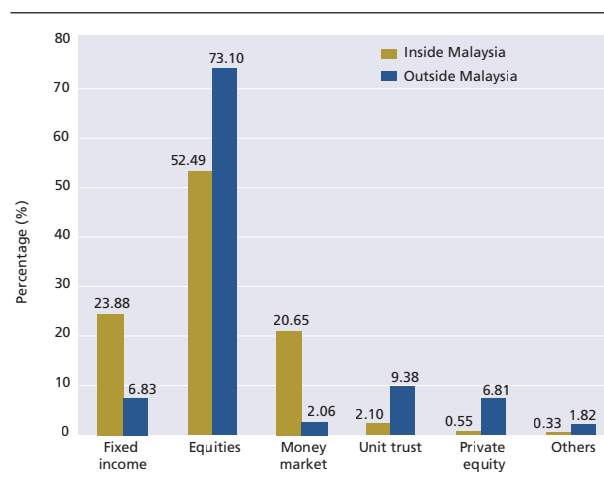
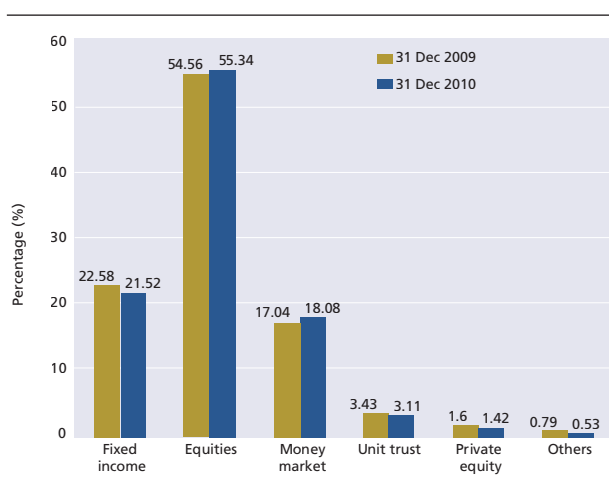


Chart 3
Asset allocation



COLLECTIVE INVESTMENT SCHEMES

• e year 2010 saw the listing of two real estate investment trusts (REITs) which emerged as the two largest in Malaysia to-date, both in terms of total asset value and market capitalisation. • e combined market capitalisation upon listing of the two REITs was more than RM4 billion. With these additions, there are now 14 REITs listed on Bursa Securities. • e total asset size of the REIT industry was RM16.07 billion and the market

capitalisation of the 14 REITs was RM10.49 billion as at 31 December 2010. • e SC expects the REIT industry to continue to grow with more acquisitions and new listings in 2011 based on the interest shown by industry participants.

- e year 2010 also saw the listing of two exchange-traded funds (ETF) on the Main Market of Bursa Securities.
- ese ETFs track foreign indices, the yrst of their kind in Malaysia.
- e listings brought the number of ETFs listed on Bursa Securities to yve with a total market capitalisation of RM1.23 billion as at 31 December.

Unit trust funds continued to make up the largest share of the Malaysian collective investment scheme (CIS) industry. • ese are the locally-constituted funds operated and administered by 39 locally-incorporated unit trust management companies. A total of 56 funds were launched, nine funds were terminated while 24 funds matured in 2010, bringing the total number of funds available to investors to 564 (as at 31 December 2010). • is was an increase of 4.25% from end-2009 (Table 2).

- e total net asset value (NAV) grew 18% year-on-year from RM191.71 billion recorded on 31 December 2009 to RM226.81 billion on 31 December 2010. • e total

NAV surpassed the RM200 billion mark in the first quarter, and continued to grow to its current state. • The total NAV makes up 17.8% (as at 31 December 2010) of Bursa Securities' market capitalisation, a slight decline from 19.2% at the end of 2009 (Table 2).

28 new wholesale funds were launched for sophisticated and institutional investors, raising the number of wholesale

funds in the market to 107 (as at 31 December). • The total NAV of wholesale funds at the end of 2010 was RM18.66 billion compared to 88 funds with NAV of RM13.96 billion at the end of 2009.

We considered 485 applications relating to CIS, comprising applications to establish new funds, increase fund size and others (Table 3).

Table 2

Overall status of unit trust industry

	31 December 2010	31 December 2009
No. of funds launched	564	541
– Conventional	412	397
– Shariah-compliant	152	144
Total approved fund size (billion units)*	606.71	568.36
Units in circulation (billion units)	289.37	273.88
No. of accounts (million)**	15.09	14.60
Total NAV (RM billion)	226.81	191.71
– Conventional (RM billion)	202.77	169.63
– Shariah-compliant (RM billion)	24.04	22.08
% of NAV to Bursa Securities market capitalisation***	17.79	19.18

* For funds approved, including those not yet launched.

** Including unitholders account at institutional unit trust advisers (IUTA) that operates nominee account system.

*** The comparison made between the total NAV and Bursa Securities market capitalisation is not an indication of the actual amount invested in Bursa Securities by the unit trust industry.

Table 3

Applications in respect of various matters relating to collective investment schemes

Type of applications	Number of Applications					
	Considered		Approved		Pending consideration	
	December 2010	December 2009	December 2010	December 2009	December 2010	December 2009
Establishment of collective investment schemes	89	93	89	93	26	18
– Unit trust funds	55	58	55	58	9	11
– Real estate investment trusts	2	0	2	0	0	0
– Closed-end funds	0	0	0	0	0	0
– Wholesale funds	30	35	30	35	16	5
– Exchange-traded funds	2	0	2	0	1	2
Change in fund size limit	48	37	48	37	4	0
– Unit trust funds	33	30	33	30	0	0
– Real estate investment trusts	2	0	2	0	3	0
– Closed-end funds	0	0	0	0	0	0
– Wholesale funds	13	7	13	7	1	0
– Exchange-traded funds	0	0	0	0	0	0
Exemption/variations from guidelines	15	7	15	7	3	0
Revaluation of property	0	0	0	0	0	0
Registration of prospectus	157	167	157	167	16	10
Registration of deeds	122	111	122	111	11	11
Other applications	54	71	54	70	6	0
Total	485	486	485	485	66	39

ISLAMIC CAPITAL MARKET

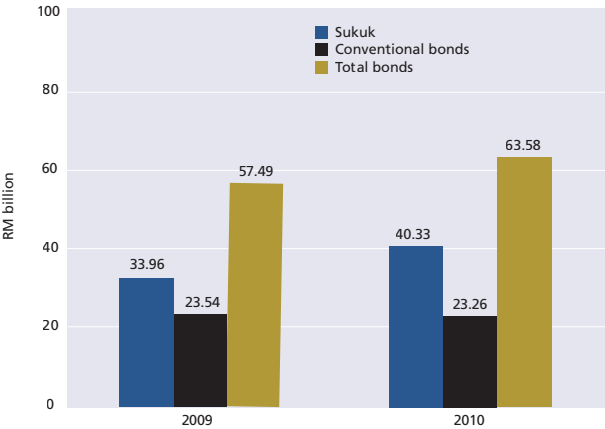
SUKUK

- e SC approved 52 private debt securities issues amounting to RM63.58 billion, of which 21 issues were sukuk valued at RM40.3 billion (include one combination of sukuk and conventional PDS issue).
- e value represented 63.4% of total new bond issues approved (Chart 1).
- is year *sukuk musharakah* led the Malaysian sukuk market in terms of approval size. *Sukuk musharakah* represented RM16.7 billion or 42.1% of the total size of sukuk approved (Chart 2).

SHARIAH-COMPLIANT FUNDS

- e SC approved 13 new Shariah-compliant funds.
- is brought the number of Shariah-compliant funds to 155 or 26.5% of the total of 584 approved funds. Of the Shariah-compliant funds, 78 were equity funds, 22 were balanced funds, 21 were sukuk funds while the remainder comprised

Chart 1
Sukuk approved by the SC



money market funds, structured products, feeder funds, fixed-income funds and mixed-asset funds (Chart 3).

Chart 2
Size of sukuk approved in 2010 by Shariah principle

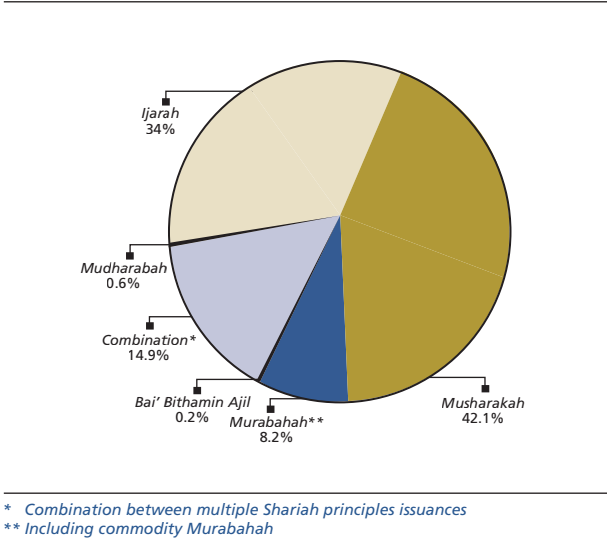
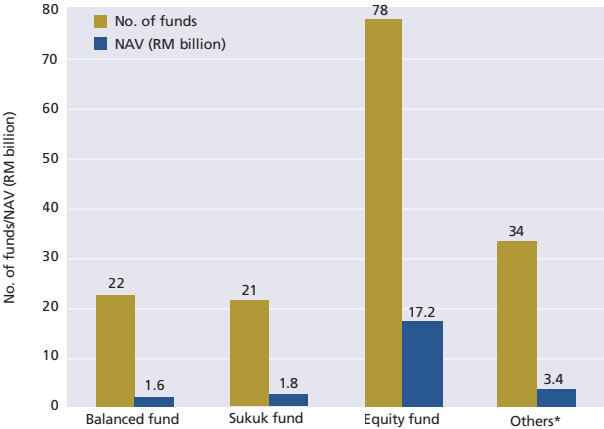


Chart 3
Shariah-compliant unit trust funds by category



* Including feeder funds, fixed income funds, money market funds, structured products and mixed asset funds.

SHARIAH-COMPLIANT SECURITIES

• In this year, the updated lists of Shariah-compliant securities were published on 31 May and 26 November. • Throughout the year, 29 securities were added to the list of Shariah-compliant securities by the SAC while eight were removed.

As published in the November list, there were 846 Shariah-compliant securities or 88% of the total listed

securities on Bursa Malaysia. • The Malaysian capital market continued to attract the interest of companies seeking to raise funds in 2010 where 23 IPO applications were approved as Shariah-compliant securities by the SAC at pre-IPO stage.

As at end-2010, the market capitalisation of Shariah-compliant securities stood at RM756.1 billion or 59.3% of total market capitalisation.

Table 1

Shariah-compliant unit trust funds

	2010	2009
Number of approved funds		
– Shariah-based	155	150
– Total industry	584	565
Total approved fund size (billion units)		
– Shariah-based	134.4	128.5
– Total industry	606.7	568.4
Units in circulation (billion units)		
– Shariah-based	56.2	56.8
– Total industry	289.4	273.9
NAV (RM billion)		
– Shariah-based	24.0	22.1
– Total industry	226.8	191.7
% of Shariah-based to total industry	10.6%	11.52%

Table 2

Shariah-compliant wholesale funds

	2010	2009
Number of approved funds		
– Shariah-based	19	20
– Total industry	112	93
Units in circulation (billion units)		
– Shariah-based	4.2	3.2
– Total industry	19.9	14.0
NAV (RM billion)		
– Shariah-based	4.2	3.2
– Total industry	18.7	14.0
% of Shariah-based to total industry	22.5%	22.77%

Table 3

Shariah-compliant securities

	2010	2009
Number of securities		
– Shariah-compliant securities	846	846
– Total listed securities	961	959
– % of Shariah-compliant to total listed securities	88%	88%
Market capitalisation		
– Shariah-compliant securities	756.1	637.9
– Total listed securities	1,275.3	999.5
– % of Shariah-compliant to total listed securities	59.3%	63.8%

Table 4

Islamic exchange-traded funds (ETF)

	2010	2009
Islamic ETF	1	1
Total industry	5	3
Net asset value (RM billion)		
– Islamic ETF	0.6	0.7
– Total industry	1.2	1.2
– % of Shariah-compliant to total listed securities	50%	56%

Table 5

Islamic real estate investment trusts (REIT)

	2010	2009
Islamic REITs	3	3
Total industry	14	12
Market capitalisation (RM billion)		
– Islamic REITs	2.3	1.8
– Total industry	10.5	5.3
– % of Shariah-compliant to total listed securities	22%	35%

VENTURE CAPITAL

- The number of registered venture capital companies (VCC) and venture capital management companies (VCMC) stood at 58 and 55 respectively as at end of 31 December 2010 (Table 1).

- There were two new additions to the list of registered VCMCs in 2010 of which one is an Islamic VCMC and the other a foreign VCMC namely, Muamalat Venture Sdn Bhd and AIMBN Holdings (M) Sdn Bhd. AIMBN Holdings (M) Sdn Bhd, a joint venture between a Japanese venture capital corporation and a Korean fund

management company, was registered with the SC in October. During the year, one VCC and two VCMCs were deregistered owing to closure of funds and inactivity.

Of the 113 registered VCCs and VCMCs as at end of 2010, 102 were 100% locally owned, nine were joint ventures and two were 100% foreign-owned VCMCs.

In relation to the number of venture capital professionals, the SC, beginning from 2010 would only reflect the number of executives with at least four years experience

Table 1

Venture capital industry participants

	31 December 2010	31 December 2009
Number of registered venture capital funds/companies	58	59
Number of registered VCMCs	55	55
Number of investee companies	389	445
Number of venture capital professionals	160*	313
Shareholding Structure		
100% local ownership	102	104
Joint ventures	9	9
100% foreign ownership	2	1

* Professionals with at least four years experience.

Table 2

Venture capital investments

	(RM million)	
	31 December 2010	31 December 2009
Total committed funds under management	5,959	5,347
Total investment as at end of the period	3,389	2,586
	During 2010	During 2009
Investment in investee companies (RM million)	453	597
Divestments (RM million)	89	43

instead of the total number of executives in the VCC or VCMC which may include those at the junior level.

- is a fairer representation as one would need to have a reasonable period of work experience before one can be deemed a professional venture capitalist.

As compared to 2009, the total committed funds as at end of 2010 stood at RM5.96 billion which represented an increase of approximately 11% year-on-year (Table 2).

- e total venture capital investments as at the end of 2010 increased by 31% to RM3.39 billion from RM2.59 billion as at the end of 2009. Investments made

stood at RM453 million as compared to RM597 million in 2009 representing a decrease of 24% year-on-year. A total of 84 investee companies received venture capital funding as compared to 99 investee companies which received funding in 2009.

In addition, the amount received from divestments showed a twofold increase from RM43 million in 2009 to RM89 million this year where 28 venture companies were divested as compared to 21 companies in 2009. Divestments were mainly through share redemptions and trade sale. Only one VC-backed company has listed in 2010, namely Malaysian Genomics Resource Centre Bhd on the ACE Market of Bursa Malaysia.

Chart 1
Sources of venture capital funds
(2010: RM5.959 billion)

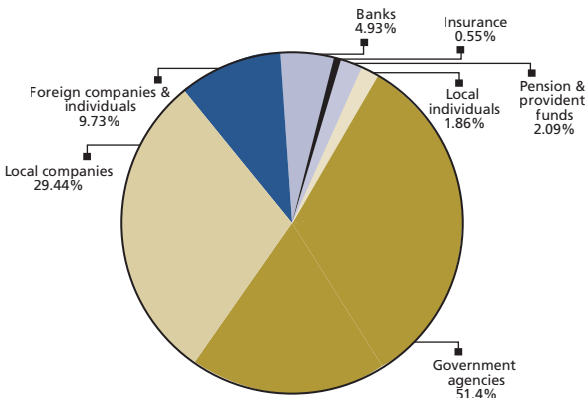


Chart 2
Investment by financing stage
(2010: RM453 million)

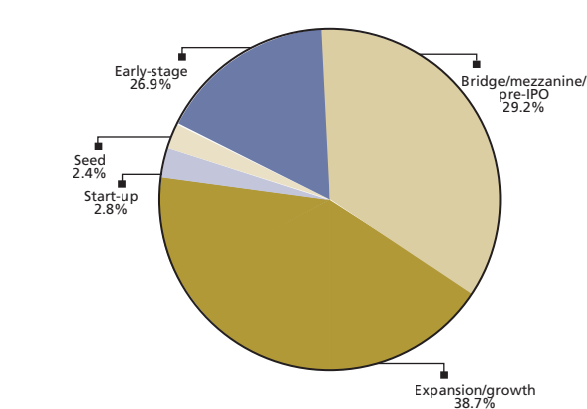


Table 3
Investment during 2010

Business stages	During 2010		
	Total investment (RM'000)	% of total investments	No. of investee company
Seed	10,662	2	9
Start-up	12,740	3	8
Early-stage	122,066	27	24
Expansion/growth	175,643	39	25
Bridge/mezzanine/pre-IPO	132,122	29	18
Total	453,233	100	84

• The government continued to play a significant role in the VC industry by contributing 51.4% of total committed funds, equivalent to approximately RM3.06 billion (Chart 1).

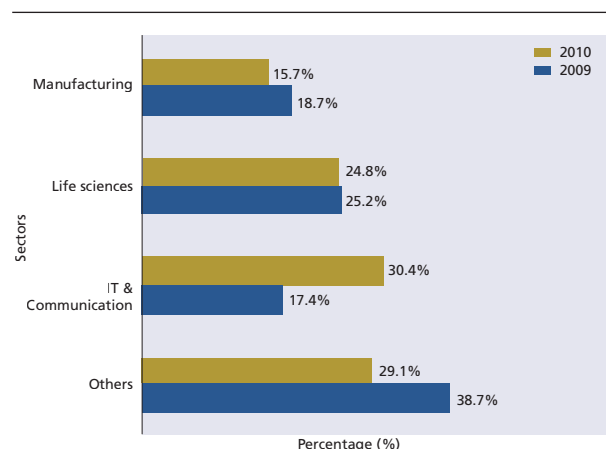
Besides the government, local companies and foreign companies as well as individuals contributed 29.44% and 9.73% respectively. In terms of contribution to total sources of funds for the industry, the contribution from banks, insurance companies, pension and provident funds and local individuals decreased from 12.6% to 9.4% collectively. • The top three industry players as at 31 December 2010, based on size of assets under management were Malaysia Venture Capital Management Bhd, Kumpulan Modal Perdana Sdn Bhd and Malaysian Life Sciences Capital Fund Ltd.

Investee companies at the early stage and expansion or growth stages received the bulk of funding from venture capital funds where in total 49 investee companies received funding amounting to RM298 million representing 66% of total investments made during the year (Table 3).

Investments into seed and start-up stages, which stood at 5% of total investments made during the year, were channeled into 17 investee companies compared to the previous year where 9% of total investments went into 17 investee companies. Investments in investee companies at the seed stage were mainly undertaken by the government VCs and its outsource partners.

In terms of sector classification, investments were focused on the IT and communication sectors (Chart 3). It was also observed that the VCs were investing in non-traditional sectors such as electricity and power generation, education, transportation & storage, and also the financial-related

Chart 3
Investment by sectors



services sectors, which are all captured under the category 'others'.

Investments into the IT and communication sector stood at 30.4% of total investments as compared to 17.4% last year. Investments in the life sciences sector remain unchanged at 24.8%, from 25.2% in 2009 while investments in the manufacturing sector decreased to 15.7% from 18.7% last year.

Proceeds from divestments of 28 investee companies during the year totalled RM89 million (Table 4). Divestments were mainly in investee companies at the later stages such as expansion/growth and bridge/mezzanine/ pre-IPO. Proceeds from divestments of investee companies at these stages amounted to approximately RM62 million representing 69% of total proceeds from divestments.

Table 4
Divestments during 2010

Business stages	Total divestment (RM'000)	% of total divestment	No. of venture company
Seed	—	—	—
Start-up	6,769	8	1
Early-stage	20,255	23	5
Expansion/growth	29,539	33	10
Bridge/mezzanine/pre-IPO	32,501	36	12
Total	89,064	100	28

LICENSING AND AUTHORISATION

As Malaysia weathered the financial crisis fairly well, we saw the entrance of the seventh foreign stockbroker – Citigroup Global Markets Malaysia Sdn Bhd. • This licence was issued further to the Budget 2008 which announced the issuance of three new stockbroking licences to encourage greater flows of funds from the Middle East. As for the fund management segment, two well-known foreign companies, Franklin Templeton GSC Asset Management Sdn Bhd and Goldman Sachs (Malaysia) Sdn Bhd were licensed last year, bringing the number to 17 foreign fund managers operating in Malaysia. • This reflects Malaysia's position as an attractive market with continued interest from leading international firms to set up business in Malaysia.

Seventeen companies were granted new Capital Markets Services Licences, and another 10 sought to expand their licences into additional regulated activities. Of the 17 new licencees, eight of the applications received were for financial planning, three for fund management, four for advisory for corporate finance and one each for investment

advice and trading in futures contracts. Our role in providing a doorway for these qualified intermediaries to operate ensures quality financial advisory services, supporting the different needs of the capital market.

In terms of new licences issued to representatives, 908 applications were approved in 2010, of which 51% were for dealing in securities, including dealing in securities restricted to bonds. • The year saw an increase in the entry of new representatives for all segments against the 2009 figures with the exception of fund management and investment advice, attesting to our market's resilience despite the uncertainties faced in 2010.

Overall, as at 31 December, the standing of Capital Markets Services Representatives Licence holders, of 9,178 representatives, marks a 5.5% increase from the previous year. • This is an improvement from the previous two years which showed a marginal increase of 1.6% and 1.8% for 2008 and 2009 respectively.

Table 1

Capital Markets Services Licence Holders

Categories	Regulated Activities ¹	2010	2009
Investment banks	Dealing in securities Advising on corporate finance Investment advice Fund management	0	0
	Dealing in securities Trading in futures contracts Advising on corporate finance Investment advice	1	1
	Dealing in securities Trading in futures contracts Advising on corporate finance	3	2
	Dealing in securities Advising on corporate finance Investment advice	6	7
	Dealing in securities Fund management Advising on corporate finance Investment advice Financial planning	0	1
	Dealing in securities Advising on corporate finance	3	3
	Dealing in securities Fund management Advising on corporate finance	1	–
		14	14
Universal brokers	Dealing in securities Advising on corporate finance Investment advice	1	1
		1	1
Special scheme foreign stockbroking companies	Dealing in securities Trading in futures contracts Advising on corporate finance Investment advice	1	1
	Dealing in securities Advising on corporate finance Investment advice	5	4
	Dealing in securities Investment advice	1	1
		7	6
Stockbroking companies with at least one merger partner	Dealing in securities Trading in futures contracts Advising on corporate finance Investment advice	1	1
	Dealing in securities Trading in futures contracts Investment advice	1	1
	Dealing in securities Advising on corporate finance Investment advice	2	2
	Dealing in securities Investment advice	3	2
		7	6

Categories	Regulated Activities ¹	2010	2009
Stand-alone stockbroking companies	Dealing in securities	1	1
	Investment advice		
	Dealing in securities	4	5
	Dealing in securities Investment advice Financial planning	1	1
		6	7
Issuing houses	Dealing in securities	2	2
		2	2
Futures brokers	Trading in futures contracts	13	13
		13	13
Unit trust management companies (UTMC)	Dealing in securities restricted to unit trust	8	12
	Fund management	30	28
	Dealing in securities restricted to unit trust		
	Fund management	2	2
	Financial planning		
	Dealing in securities restricted to unit trust		
	Financial planning	7	0
	Dealing in securities restricted to unit trust		
		47	42
Fund managers	Fund management	50	55
	Fund management	30	28
	Dealing in securities restricted to unit trust		
	Fund management	2	2
	Financial planning		
	Dealing in securities restricted to unit trust		
	Fund management	1	–
	Advising on corporate finance		
	Fund management	1	–
	Investment advice		
	Dealing in securities restricted to unit trust		
		84	85
Special scheme foreign fund managers	Fund management	5	5
		5	5
Islamic fund managers	Fund management	2	1
	Dealing in securities restricted to unit trust		
	Fund management	13	10
		15	11
Fund supermarket	Investment advice	1	1
	Dealing in securities restricted to unit trust		
		1	1
Corporate unit trust advisers (CUTA)	Financial planning	7	4
	Dealing in securities restricted to unit trust		
Institution unit trust advisers (IUTA)	Fund management	1	1
	Financial planning		
	Dealing in securities restricted to unit trust		
		8	5

Categories	Regulated Activities ¹	2010	2009
Advisory companies	Advising on corporate finance	38	35
	Advising on corporate finance investment advice	4	5
	Advising on corporate finance Financial planning	1	1
	Investment advice	20	21
	Financial planning	24	23
		87	85
Individuals	Financial planning	9	11
	Investment advice	1	1
		10	12

Note:

¹ Regulated activities refer to the activities that the companies are licensed to conduct.

Total licensed companies:

- at as 31 December 2010: 237
- at as 31 December 2009: 237

Total licensed individuals:

- at as 31 December 2010: 10
- at as 31 December 2009: 12

Table 2

Capital Markets Services Representative's Licence holders

	2010	2009
Dealing in securities ¹	6,797	6,656
Trading in futures contracts ²	858	570
Fund management	535	517
Advising on corporate finance ³	518	505
Investment advice	180	169
Financial planning	290	280
Total	9,178	8,697

Note:

¹ Includes representatives licensed for dealing in securities restricted to bonds and representatives licensed for dual activities - dealing in securities and trading in futures contracts.

Excludes representatives licensed for dual activities - advising on corporate finance and dealing in securities restricted to underwriting activities.

² Includes representatives licensed for dual activities - dealing in securities and trading in futures contracts.

³ Includes representatives licensed for dual activities - advising on corporate finance and dealing in securities restricted to underwriting activities.

Table 3

Application for new company/individual licences

Regulated activities	Dealing in securities		Trading in futures contracts		Fund management		Advising on corporate finance		Investment advice		Financial planning		Financial planning (individual)	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Issued	0	3	1	1	3	8	4	2	1	2	8	5	0	0

Table 4

Application for new representative's licences

Regulated activities	Dealing in securities		Trading in futures contracts		Fund management		Advising on corporate finance		Investment advice		Financial planning	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Issued	464*	309	110	103	87	111	117**	98	46	56	84	77
Withdrawn	21	3	7	0	14	0	6	0	0	1	8	0
Returned	213	22	78	0	139	6	56	0	31	0	156	7

Note:

* Includes representatives licensed for dealing in securities to bonds and representatives licensed for dual activities – dealing in securities and trading in futures contracts.

** Includes representatives licensed for dual activities – advising on corporate finance and dealing in securities restricted to underwriting activities.

Table 5

Application for renewal company/individual licences

Regulated activities	Dealing in securities		Trading in futures contracts		Fund management		Advising on corporate finance		Investment advice		Financial planning		Financial planning (individual)	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Issued	33*	46	12	4	61	58	30	22	17	8	20	11	4	6
Withdrawn	1	0	1	0	1	0	1	1	0	0	1	1	0	0
Returned	34	0	15	0	31	0	39	0	19	0	16	0	4	0

Note:

* Includes companies licensed for dealing in securities restricted to unit trust products.

Table 6

Application for renewal of representative's licences

Regulated activities	Dealing in securities		Trading in futures contracts		Fund management		Advising on corporate finance		Investment advice		Financial planning	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Issued	4,117*	3,061	454	351	316	205	297**	254	101	60	154	93
Withdrawn	31	0	6	0	4	0	2	0	0	0	3	0
Returned	124	2	16	0	43	0	33	0	10	0	32	2

Table 7

Cessation of company/individual licences

Regulated activities	Dealing in securities		Trading in futures contracts		Fund management		Advising on corporate finance		Investment advice		Financial planning		Financial planning (individual)	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Ceased	3*	2	1	2	2	8	2	1	0	2	0	5	0	0
Expired	0		0		1		0		1		5		0	
Revoked	0		0		1		0		0		0		0	

Note:

* Includes companies licensed for dealing in securities restricted to unit trust products.

Table 8

Cessation of representative's licences

Regulated activities	Dealing in securities		Trading in futures contracts		Fund management		Advising on corporate finance		Investment advice		Financial planning	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Ceased	375*	433	96	71	67	57	99**	123	35	32	30	33
Expired	53*		20		9		6**		4		42	
Revoked	0		0		1		0		0		0	

Note:

* Includes representatives licensed for dealing in securities to bonds and representatives licensed for dual activities – dealing in securities and trading in futures contracts.

** Includes representatives licensed for dual activities – advising on corporate finance and dealing in securities restricted to underwriting activities.

Table 9

Application for registration of local participants

	2010	2009
Applications brought forward from previous year	0	0
New applications received	2	7
Granted	2	7
Withdrawn	0	0
Rejected	0	0
Returned	0	0
Applications carried forward to next year	0	0

ENFORCEMENT

In 2010, the SC’s Investigation Department received a total of 41 referrals from various departments, including Market Surveillance, Investors Affairs and Complaints, and Financial & Corporate Surveillance.

Almost half of these referrals were in relation to insider trading. One fifth were corporate governance-related offences which were mainly in relation to misleading reporting on the performance of PLCs by their directors.

During the year, there were 79 active investigation files. Resources were devoted to conducting investigations involving large and complex transactions.

- e SC conducted raids at eight premises, which included the premises of three PLCs and a licensed asset management company for suspected breaches of securities laws. A total of 350 boxes of documents were seized from these premises.

Chart 1
Referrals received by nature of offence

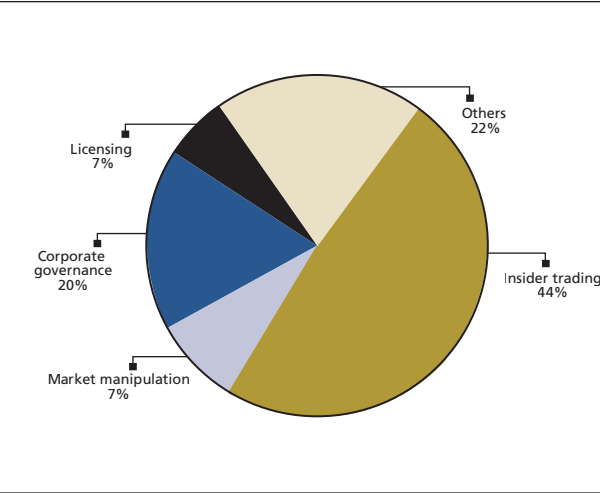


Chart 2
Active investigation files by nature of offence

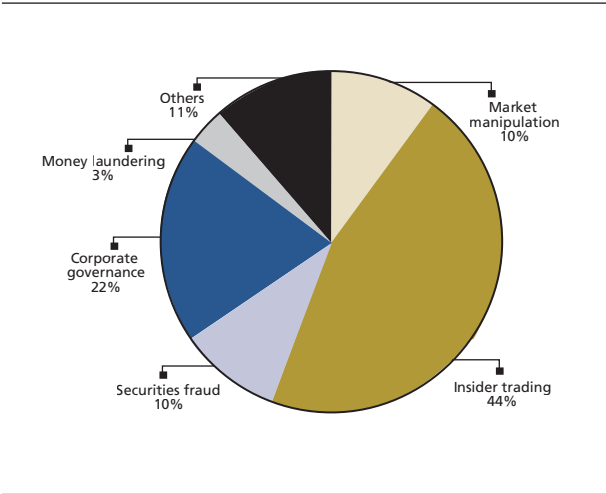
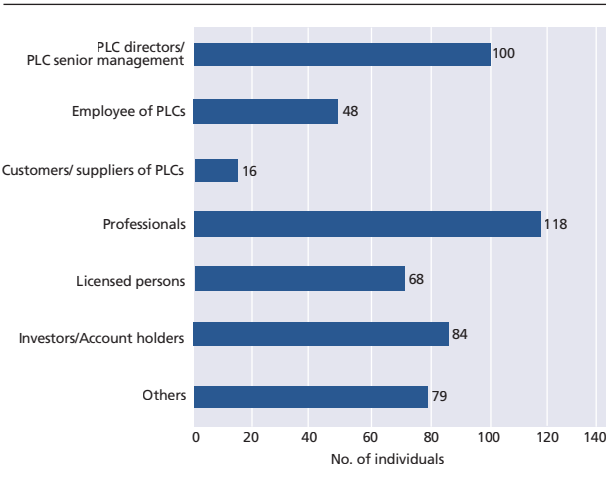


Chart 3
Category of witnesses for statements recorded



Apart from documentary evidence, oral evidence forms an essential part of evidence gathering. We recorded statements from 513 individuals, a 30% increase from the number of statements recorded in 2009. • e witnesses were mainly company directors and senior management, as well as professionals such as investment bankers, lawyers, auditors and company secretaries.

• is year, the SC continued to make use of the IOSCO's Multilateral Memorandum of Understanding Concerning Consultation and Co-operation and the Exchange of Information (IOSCO MMOU) to seek the assistance of foreign regulators. • e IOSCO MMOU is an essential tool in our investigation without which the SC's investigators could not obtain critical information and evidence. We sought assistance from eight countries during the year with the majority of the requests made to regulators in Hong Kong and Singapore.

During the year, the SC had also received requests for assistance in investigation from six foreign regulators. • is assistance included recording statements from Malaysian witnesses on behalf of the foreign regulators.

Administrative actions

• e SC meted out a wide range of administrative sanctions during the year. Of a total of 29 sanctions, 10 were reprimands, ỹve were directives, four were suspension of licences, one revocation of licence and nine were ỹnes. Based on the categories of persons or entities, the sanctions were directed at:

- Substantial shareholders (18%);
- Licensed intermediaries (64%);
- PLCs (12%); and
- Corporate advisers (6%).

Fines totalling RM842,000 were imposed against four licensed intermediaries and three licensed representatives for various breaches of the securities laws and relevant Guidelines; and two against parties who had breached the provision of the *Malaysian Code on Take-Overs and Mergers 1998*.

Table 1

Breakdown by countries on assistance sought by us in 2010

Countries	Investigation files
The People's Republic of China	4
Chinese Taipei	1
Hong Kong	9
Ireland	1
Norway	1
Singapore	8
UK	4
US	2
Total	30

Table 2

Breakdown by countries on assistance rendered by us in 2010

Countries	Investigation files
Australia	2
Hong Kong	1
Singapore	2
Sri Lanka	1
UK	1
US	2
Total	9

• e types of directives imposed were also diverse, ranging from the imposition of extra CPE points (on licensed representatives) to requiring parties who triggered the mandatory offer threshold to dispose of the acquired shares so as to bring their shareholdings back to status quo, and requiring a board of directors of a licensed intermediary to implement its remedial action plan effectively and within a stated timeline.

In addition to the administrative actions meted out under sections 354 and 356 of the CMSA, the SC had also issued a total of 103 supervisory letters against corporate advisers, licensed intermediaries, public-listed companies, boards of directors, a research house as well as individuals for various breaches that were minor in nature and had low impact.

Chart 4
Administrative action by type of sanctions

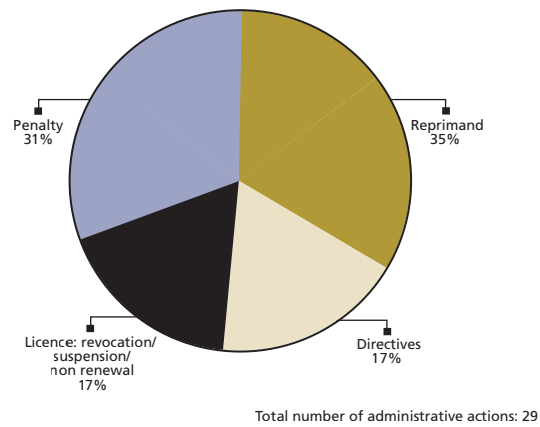


Chart 6
Administrative actions and parties in breach

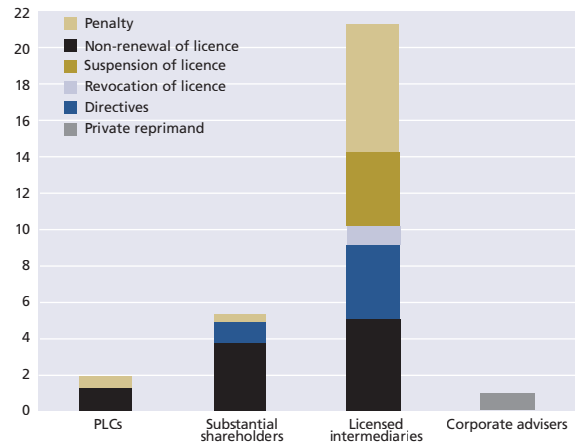


Chart 5
Administrative actions: Nature of breaches

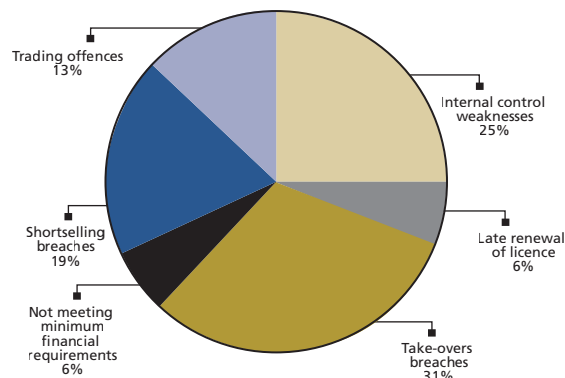


Chart 7
Supervisory letters: Nature of breaches

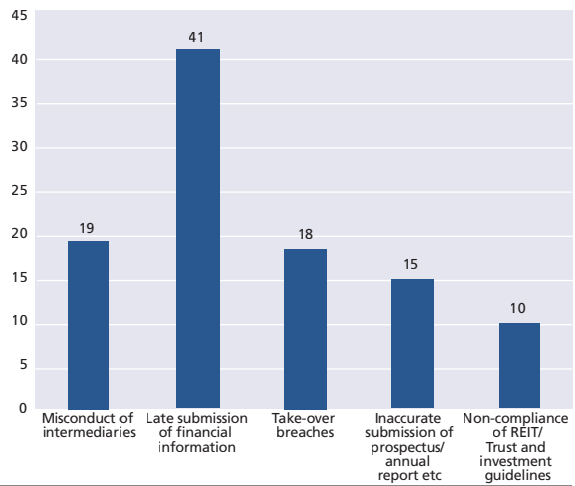


Table 3

Persons charged

No.	Nature of offence	Offender(s)	Description of charge(s)
1.	Scheme to defraud Ligua Health Corporation Bhd (Ligua)	Alice Poh Gaik Lye, former business co-ordinator of Ligua Goh Bak Ming former Managing Director of Ligua	Alice and Goh were charged on 14 June 2010. The SC alleged that Alice caused Ligua to pay RM12 million to Wynsum Sdn Bhd, an entity she controlled. Out of this sum, Alice used RM9.75 million to buy 45 million Ligua shares. Goh was charged for abetting Alice.
2.	Fraud on LFE Corporation Bhd (LFE) Criminal breach of trust Making false statements to Bursa in relation to LFE's unaudited financial results for the financial year ending 31 December 2007.	Alan Rajendram a/l Jeya Rajendram, former director of LFE Eswaramoorthy Pillay s/o Amuther	Alan was charged on 24 June 2010 on the following allegations: <ul style="list-style-type: none"> • He used RM9 million of LFE's monies to buy shares in LFE under a private placement and restricted offer of LFE shares to him. • He caused LFE to falsely inflate its revenue in the unaudited financial results for the financial year ending 31 December 2007. • Criminal breach of trust of a further RM9.99 million of LFE's monies. • Abetting two other directors of LFE in cheating EON Bank Bhd of RM3.96 million by supplying fictitious documents to enable the drawdown on LFE's banking facilities. This charge was later withdrawn by the SC. Pillay was charged on 29 June 2010 for abetting Alan to commit some of the offences above.
3.	Falsely reporting the quarterly reports of INIX Technologies Holdings Bhd (INIX) for the financial year ending 31 July 2006.	Directors of INIX: Jimmy Tok Soon Guan, Mok Chin Fan and Cheong Kok Yai Normah Sapar, Senior Accounts Executive at INIX	Jimmy, Mok and Cheong were charged on 23 September 2010. The SC alleged that they falsely inflated the revenue of INIX for the financial year ending 31 July 2006. They were also charged for the issuance of INIX prospectus containing false information on its revenue for the six months ending 31 January 2005. Normah was charged with abetting Jimmy.
4.	Failure to appear before the SC in connection with an investigation	Normah Sapar Helen Soon Shiau Yen, former Accounts Executive at INIX Chong Poh Ying	Normah and Helen were charged on 23 September 2010 for failing to appear at the SC to provide a statement in connection with the SC's investigation into INIX's affairs. Chong was charged on 27 September 2010 for the same offence.

Table 4

Convictions and appeals against sentences

No.	Nature of offence	Offender(s)	Description of charged and conviction
1.	Furnishing misleading financial statements relating to the affairs of a listed corporation	Ang Sun Beng, former Managing Director of Welli Multi Corporation Bhd (WMCB) Ang Soon An, Executive Director of Welli	Ang Sun Beng and Ang Soon An were charged on 15 April 2008 with four counts under section 122B(a)(bb) of the <i>Securities Industry Act 1983</i> (SIA) read together with section 122(1) SIA 1983 for furnishing the misleading statements. On 11 October 2010, they pleaded guilty to the first charge and the other three charges were taken into consideration under section 171A of the <i>Criminal Procedure Code</i> (CPC) for sentencing. They were sentenced to one day in jail and fined RM400,000 each (in default one year imprisonment).
2.	Fraud on the IPO share applications for UPA Corporation Bhd (UPA) by switching successfully balloted envelopes with those not put through the balloting process	Ashari Rahmat Fauzi Ismail	Ashari and Fauzi were charged on 20 March 2000 under section 417 of the <i>Penal Code</i> . They were convicted and sentenced by the Sessions Court on 22 April 2010. Ashari was sentenced to one day in jail and fined RM35,000. Fauzi was also sentenced to one day in jail and fined of RM30,000. The Sessions Court however, forfeited Fauzi's profits of over RM800,000.
3.	Manipulating the shares of Fountain View Development Bhd (FVDB) by creating a misleading appearance of active trading through 20 central depository accounts	Dato' Chin Chan Leong, former director of FVDB Hiew Yoke Lan, former remisier at Avenue Securities Sdn Bhd	Dato' Chin and Hiew were charged on 27 June 2005. Dato' Chin was charged under section 84(1) SIA for manipulating FVDB's shares. Hiew was charged under section 84(1) SIA read together with 122C(c) SIA for abetting Dato' Chin in executing the trades. On 5 February 2010, they pleaded guilty to the charges. Dato' Chin was sentenced to one day in jail and a fine of RM1.3 million (in default 13 months imprisonment). Hiew was fined RM1 million (in default 10 months imprisonment). The SC's appeal against the sentence on Dato' Chin was dismissed by High Court. A further appeal has been filed in the Court of Appeal.
4.	Securities fraud and criminal breach of trust against Pancaran Ikrab Bhd (PIB)	Dato' Lybrand Ngu Tieng Ung, former director of PIB Daniel Wong Jit Kiang	Dato' Ngu and Daniel were charged on 5 May 2005. Ngu was charged under section 87(A) SIA for using RM15.5 million of PIB's funds to finance the purchase of PIB shares. Ngu was also charged for committing criminal breach of trust involving RM21.5 million of PIB's funds. As an alternative to the three other charges preferred, Ngu was also charged with criminal breach of trust involving RM37 million of PIB's funds. Daniel was charged for abetting Dato' Ngu on all the charges. On 24 March 2010, a warrant of arrest was issued against Daniel for failing to appear in Court since 23 March 2009. The Sessions Court granted a discharge not amounting to an acquittal against him. The warrant of arrest is still pending against him. On 5 October 2010, Dato' Ngu pleaded guilty to the first and second charges under SIA 1983. The Sessions Court took into consideration the third charge and he was sentenced to one day in jail and fined RM1 million for each charge. The SC has filed an appeal against the sentence to the High Court.
5.	Furnishing false financial information relating to the affairs of a listed corporation	Dato' Ng Kim Weng, former Managing Director of Polymate Holdings Bhd (PHB)	Dato' Ng was charged on 7 February 2007 for knowingly authorising the furnishing of false statements in relation to the reported revenue and trade receivables of PHB in its Consolidated Balance Sheet and Income Statement ended 30 September 2003. He was convicted on 20 October 2009 after pleading guilty to the charge. He was fined RM300,000 (in default one year imprisonment). The SC appealed against this sentence to the High Court on 3 November 2009. On 5 February 2010, the High Court dismissed the Prosecution's appeal and upheld the sentence.

No.	Nature of offence	Offender(s)	Description of charge and conviction
6.	Submitting false information in connection with a proposal for listing	Chan Kok Suan, Group MD of Granasia Corporation Bhd (GCB)	<p>Chan was charged on 9 February 2006 for the submission of false information in the revenue and profit after tax of GCB for the year ended 31 Dec 2002 in connection with Granasia's proposal for listing.</p> <p>He pleaded guilty on 1 March 2010 and was sentenced to a fine of RM500,000 (in default of imprisonment 10 months).</p> <p>The SC has filed an appeal against the sentence to the High Court.</p>
7.	Furnishing misleading financial information relating to the affairs of a listed corporation	<p>Ooi Boon Leong, former director and substantial shareholder of MEMS Technology Bhd (MEMS)</p> <p>Tan Yeow Teck, former director and Chief Financial Officer</p>	<p>Ooi and Tan were charged on 16 April 2009 for submitting false information in MEMS group revenue for the year ended 31 July 2007 contained in its condensed consolidated income statements for the 12 month period ended 31 July 2007.</p> <p>They pleaded guilty on 25 February 2010 and were sentenced to a fine of RM300,000 (in default, two years imprisonment). The SC filed an appeal against the sentence to the High Court.</p>
8.	<p>Acting as a fund manager's representative for Perdana Technology Sdn Bhd (Perdana Tech) without a licence</p> <p>Engaging unlicensed persons to carry out the activities of a fund manager's representative</p>	<p>Siti Mariam Berahim</p> <p>Dr Berjoyai Bardai, director of Perdana Tech</p>	<p>Siti Mariam and Dr Barjoyai were both convicted of the offences on 13 March 2008.</p> <p>On 25 March 2008, the Sessions Court fined Siti Mariam RM50,000 (in default six months imprisonment) and Dr Barjoyai RM100,000 (in default eight months imprisonment).</p> <p>On 13 August 2010, the High Court dismissed the appeals of both accused and upheld the convictions by Sessions Court.</p> <p>On 7 September 2010, the High Court dismissed the SC's cross appeal and upheld the sentence of the Sessions Court. The SC has filed an appeal against this decision.</p>
9.	Submission of false information to the SC, failure to maintain a trust account for client's money and concealment of records to obstruct the audit carried out by the SC on Oasis Asset Management Sdn Bhd (Oasis)	Muhamad Khalid Ismail, former director of Oasis	<p>Khalid was charged on 2 September 2003 for concealing the records of Oasis in relation to investments received, failing to maintain a trust account for investments received and also for criminal breach of trust under the <i>Penal Code</i>.</p> <p>Khalid was convicted on 20 May 2010 and sentenced to one year imprisonment for each of the eight offences under SIA (to run concurrently).</p> <p>For the CBT offence, he was sentenced to two years imprisonment which is to commence after the imprisonment for the SIA convictions have been served.</p>
10.	Holding out as a fund manager without a licence, soliciting investments through the Internet website www.danafutures.com (the website)	Phazaluddin Abu	<p>Phazaluddin was charged on 29 February 2008 under section 15A SIA through the website which stated that investments from the general public would be invested in securities.</p> <p>On 22 June 2010, the Sessions Court convicted him of the offence under section 15A(1) of the SIA and three other offences.</p> <p>On 9 July 2010, the Sessions Court sentenced Phazaluddin to four years imprisonment for the offence under section 15A of the SIA and two years imprisonment for each of the other three offences under AMLATFA. The Court ordered the sentences to run concurrently. He filed an appeal against the sentence to the High Court on 9 July 2010.</p>
11.	Defrauding a stockbroking company, Hwang DBS Securities Sdn Bhd	Yeoh Guan Yong	<p>Yeoh was charged on 8 September 1999 under section 87A(b) SIA. He was acquitted by the Sessions Court on 20 January 2006 at the end of the defence's case.</p> <p>The SC appealed in the High Court against the decision of the Sessions Court.</p> <p>On 5 March 2010, the Penang High Court allowed the SC's appeal and Yeoh's acquittal order was substituted with a conviction.</p>

Table 5

Acquittals and appeals

No.	Nature of offence	Offender(s)	Description of acquittals and appeals
1.	Market manipulation of the shares in Repco Holdings Bhd (Repco)	Low Thiam Hock, Executive Chairman of Repco	Low was charged on 19 September 1999. He was acquitted and discharged by the Sessions Court on 14 November 2006. On 15 October 2010, the High Court dismissed the SC's appeal against the acquittal.
2.	Market manipulation of the shares in Actacorp Holdings Bhd (Actacorp)	Mohd Raffique Ibrahim Sahib Ariffin Abdul Majid	Mohd Raffique and Ariffin were charged for instructing the purchase of Actacorp in December 1997 where such purchases were intended to increase the price of Actacorp warrants. Both Mohd Raffique and Ariffin were acquitted and discharged by the Sessions Court on 1 April 2009. On 26 October 2010, the High Court dismissed the SC's appeal, affirming the acquittal and discharge order of the Sessions Court. The SC has filed an appeal to the Court of Appeal.
3.	Illegal fund management	Anuar Abdul Aziz	Anuar was charged on 2 September 2003 for carrying out the functions of a fund manager's representative for Corporate Eight Asset Management Sdn Bhd (now known as Oasis Asset Management Sdn Bhd) without a licence. He was acquitted by Sessions Court on 20 May 2010. The SC has filed an appeal to the High Court.
4.	Furnishing false financial information in relation to the affairs of a listed corporation, Satang Holding Bhd	Jamaluddin Hassan, Executive Chairman and Managing Director Gan Chin Sa, Executive Director Hakim Sukirman, Executive Director	Jamaluddin, Gan and Hakim were charged on 4 December 2008. They were acquitted by Sessions Court on 17 May 2010.

Table 6

Civil enforcement actions

No.	Nature of offence	Defendant(s)	Brief facts of the case
1.	Unlicensed activities by Rantau Simfoni Sdn Bhd (Rantau Simfoni)	Zamani Hamdan (1st defendant) Rantau Simfoni (2nd defendant)	The defendants who were not licensed by the SC to trade in futures contracts, carried out activities in breach of sections 58 and 59 of the CMSA. On 4 May 2010, the SC obtained an injunction preserving clients' funds and preventing the defendants from dealing with their monies amounting to RM198,040. A further order was made on 12 July 2010 ordering that the monies be transferred to the SC for the purposes of restitution to investors. The SC is currently formulating a restitution process for return of the monies to the affected investors.
2.	Breach of regulatory requirements in relation to safeguarding clients assets and engaging in deceitful and improper practices	SJ Asset Management Sdn (SJAM)	On 27 July 2010, the SC revoked SJAM's licence to undertake fund management activities. On 14 October 2010, the SC's petition at the High Court pursuant to section 361 of the CMSA to wind up SJAM was granted. Dato' Gan Ah Tee and Mok Chew Yin of BDO Governance Advisory Sdn Bhd have been appointed as Liquidators.
3.	Making false or misleading statements to the SC and engaging in insider trading	Kenmark Industrial (M) Sdn Bhd (Kenmark) Dato' Ishak Ismail	Dato' Ishak as the majority shareholder of Kenmark was suspected of making false or misleading statements in relation to the condition of Kenmark which had the effect of raising the market price of Kenmark shares. Dato' Ishak was also suspected of trading on Kenmark's shares based on the inside information. The SC has filed a civil action relating to these breaches.

Table 7

Compounds offered

No.	Nature of offence	Offender(s)	Description of offence
1.	Furnishing misleading financial information in relation to the affairs of a listed corporation	Tan Chin Han, former CEO of Welli Multi Corporation Bhd (WMCB)	On 11 October 2010, Tan paid a compound of RM100,000 with respect to his involvement in this breach.
2.	Short selling	Credit Lyonnais Securities Pte Ltd (Credit Lyonnais) CIMB Securities Ng Wai Hong, dealer representative of CIMB Securities	CIMB Securities, Credit Lyonnais and Ng short sold 141,000 units of Proton Bhd shares. CIMB Securities and Credit Lyonnais were compounded RM1 million each with respect to their involvement in this breach.

PUBLICATIONS

GUIDELINES AND CODES

Prospectus Guidelines for Collective Investment Schemes
(Updated: 1 June 2010)

Malaysian Code on Take-overs and Mergers 2010 and Practice Notes
(Issued/Effective: 15 December 2010)

Guidelines on Contents of Applications Relating to Take-overs and Mergers
(Issued/Effective: 15 December 2010)

Guidelines on Investor Protection
(Issued/Effective: 17 December 2010)

Consultation Paper: Proposed Updates to Guidelines on Offer Documentation of the Malaysian Code on Take-overs and Mergers 1998
(Issued: 19 March 2010)

Consultation Paper: Review of Sophisticated Investors and Sales Practices for Capital Market Products
(Issued: 19 March 2010)

Consultation Paper: Proposed Implementation of the Continuing Professional Development (CPD) Framework to Replace the Current Continuing Professional Education (CPE) Programme
(Issued: 19 May 2010)

Proceedings of SC-OCIS Roundtable and Forum
(Issued: September 2010)

BOOKS, REPORTS AND CONSULTATION PAPERS

World Capital Markets Symposium (Proceedings book)
(Issued: 9 March 2010)

Capital Market Laws of Malaysia (by Shanti Geo†rey)
(Issued: 12 March 2010)

Securities Commission Malaysia Annual Report 2009
(Issued: 18 March 2010)

Laporan Tahunan 2009 Suruhanjaya Sekuriti Malaysia
(Issued: 18 March 2010)

Joint Consultation Paper: Proposed Amendments to Bursa Malaysia Securities Bhd Listing Requirements on Privatisation of Listed Companies via Disposal of Assets
(Issued: 19 March 2010)

BOOKLETS, BULLETINS AND PAMPHLETS

Booklets

List of Shariah-compliant Securities by the Shariah Advisory Council of the Securities Commission Malaysia/ Senarai Sekuriti Patuh Syariah oleh Majlis Penasihat Syariah Suruhanjaya Sekuriti Malaysia
(Issued: 31 May and 26 November 2010)

Bulletins

Malaysian ICM
(Issued: March, June and September 2010)

Capital.My

(Issued: January, April, July and October 2010)

† e Reporter

(Issued: May, June, September and December 2010. Special editions in conjunction with Corporate Governance Week in June and World Capital Markets Symposium in September.)

Pamphlets

Securities Industry Dispute Resolution Center (*SIDREC*)

(Issued: December 2010)

SECURITIES COMMISSION MALAYSIA WEBSITES

www.sc.com.my

www.min.com.my

2010 AT A GLANCE

A snapshot of significant landmarks and achievements recorded during the year.

SC, Indian counterpart ink pact to boost collaboration

120 Singapore Companies (SCs) and its Indian counterpart have signed a joint venture agreement to promote and enhance the growth of the respective capital markets. The agreement was signed by the Chairman of the Securities Commission (SC) and the Chairman of the Securities and Exchange Board of India (SEBI). The agreement was signed by the Chairman of the Securities Commission (SC) and the Chairman of the Securities and Exchange Board of India (SEBI). The agreement was signed by the Chairman of the Securities Commission (SC) and the Chairman of the Securities and Exchange Board of India (SEBI).

5 Feb Deterrent sentence secured in Fountain View market manipulation case.

23 Feb The Chairman delivered the keynote address and presented awards at The Edge-Lipper-StarMine Awards 2010.

25 Feb Conviction secured against former directors of MEMS for submission of misleading financial statements.

Fountain View director, ex-remisier fined for share manipulation

KUALA LUMPUR: The Kuala Lumpur Sessions Court yesterday convicted Datuk Chin Chan Leong and Hiew Yoke Lan for their involvement in the manipulation of Fountain View Development Bhd shares.

In a statement, the Securities Commission (SC) said this was the second conviction for market manipulation which it has successfully prosecuted.

The SC said Chin, 57, a former director of Fountain View, pleaded guilty to the offence under section 84(1) of the Securities Industry Act 1983 (SIA).

It said Chin created a misleading appearance of active trading of

FEBRUARY

JANUARY

MARCH

12 Jan Stockbroking licence granted to Citigroup.

18–20 Jan India – Malaysia Capital Market Collaborative Agreement signed with SEBI.

22 Jan Q4 2009 scorecard published.

25 Jan Public warning issued on unauthorised soliciting for donations in the SC's name.

25 Jan PricewaterhouseCoopers Advisory Services Sdn Bhd appointed Administrator for Swisscash.



2 Mac Conviction secured against former Granasia Corp Managing Director over false statements.

12 Mac Book on 'Capital Market Laws of Malaysia' authored by Shanti Geoffrey of the SC launched.

15–16 Mac Inaugural SC-OCIS Roundtable and Public Forum jointly hosted with Oxford Centre for Islamic Studies (OCIS) to advance Islamic finance.

19 Mac SC Annual Report 2009 published.

SC appoints administrator

Bid to aid Swisscash investors

KUALA LUMPUR: The Securities Commission (SC) has appointed PricewaterhouseCoopers Advisory Services Sdn Bhd (PwC) as the administrator for Swisscash, a Swiss-based investment fund. The appointment was made to assist in the liquidation of the fund and to provide support to its investors. The administrator will be responsible for the day-to-day management of the fund's assets and liabilities, and for the distribution of proceeds to investors. The administrator will also be responsible for the preparation of the fund's financial statements and for the filing of reports with the SC. The administrator will be paid a fee for its services, which will be determined by the SC. The administrator will be appointed for a period of 12 months, with the possibility of extension. The administrator will be responsible for the day-to-day management of the fund's assets and liabilities, and for the distribution of proceeds to investors. The administrator will also be responsible for the preparation of the fund's financial statements and for the filing of reports with the SC. The administrator will be paid a fee for its services, which will be determined by the SC. The administrator will be appointed for a period of 12 months, with the possibility of extension.



15 May Tan Sri Mohamed Jawhar Hassan appointed Commission Member.

19 May The Chairman moderated plenary session at 6th World Islamic Economic Forum organised by WIEF Foundation.

20 May Conviction secured against former Oasis Asset Management director for CBT of RM45 million.

28 May Hosted the OECD's Working Group Meeting of Asian Roundtable on Corporate Governance.

31 May The Shariah Advisory Council's updated list released – Shariah-compliant securities comprising 88% of listed securities on Bursa Malaysia.



Roadmap for corporate governance

THE Securities Commission of Malaysia (SC) together with Bursa Malaysia headed the working group meeting of the Organisation for Economic Co-operation and Development (OECD) Asia Roundtable on Corporate Governance (ARCG) in Kuala Lumpur today.

The ARCG is an OECD initiative to assist emerging and transition economies in developing a sound corporate governance framework. It is a multi-stakeholder initiative involving governments, regulators, academia, and the private sector.

The meeting also discussed the importance of corporate governance in the context of the global financial crisis and the role of regulators. The ARCG was set up to assist emerging and transition economies in their efforts to improve corporate governance by developing a sound corporate governance framework. The ARCG is a multi-stakeholder initiative involving governments, regulators, academia, and the private sector.



1 April Nik Mohd Hasyudeen Yusoff appointed Executive Chairman of Audit Oversight Board.

19 April Q1 2010 Scorecard published.

20 April Memorandum of Understanding signed with Capital Markets Board of Turkey for closer regulatory collaboration.

23 April Conviction secured in UPA Corporation Bhd cheating case.

28 April Order secured for restitution of RM2.2 million to Australian investors defrauded in Cambridge Capital Trading investment scam.



1 June *Guidelines on Unit Trust Funds* revised to facilitate multi-class structure.

8 June Former managing director of Lique Health Corporation Bhd charged for abetting in scheme to defraud.

14 June Former business coordinator of Lique Health Corporation Bhd charged for scheme to defraud.

15 June Stern reminder issued to PLCs on consequences of destroying and causing loss to company documents.

16 June Ex-parte injunction obtained against Dato' Ishak Ismail to refrain from dealing with proceeds of Kenmark shares.

23 June Malaysia recognised as approved investment destination under China's Qualified Domestic Institutional Investor (QDII) scheme administered by the China Banking Regulatory Commission (CBRC).

24 June Former director of LFE Corporation Bhd charged with securities fraud.

29 June Conditions and restrictions imposed on SJ Asset Management Sdn Bhd due to concerns over clients' assets and integrity of records.



5 Aug The Capital Market Forum 2010: Opportunities and Challenges for QDII, jointly organised with the Malaysia-China Friendship Association.



17 Aug Electronic Share Payment jointly introduced with BNM and Bursa Malaysia.

26 Aug Members of the International Corporate Governance Consultative Committee announced.



JULY

AUGUST

SEPTEMBER

1 July 4th International Islamic Capital Market Forum organised in Kuala Lumpur.

4–9 July 5th Islamic Markets Programme, jointly-organised with SIDC, attended by more than 30 delegates from 13 countries.

8 July New Shariah Advisory Council line-up announced.

9 July Custodial sentence secured against illegal fund manager over Internet investment scam.

13 July SC Scholarship Awards 2010 was officiated by the Deputy Prime Minister, Tan Sri Dato' Haji Muhyiddin Mohd Yassin.

21 July Q2 2010 Scorecard published.

28 July SJ Asset Management Sdn Bhd (SJAM)'s licence to undertake fund management activities revoked.



20 Sep The Chairman launched 'Onboarding to GLOBEX' by Bursa Malaysia Derivatives.

21 Sep Audit Oversight Board accepted into the International Forum of Independent Audit Regulators.

23 Sep Directors of INIX Technologies Bhd charged for providing false information in prospectus.

23 Sep Malaysia upgraded to Advanced Emerging Markets status within FTSE's global equity index series.

27–28 Sep 2nd World Capital Markets Symposium (WCMS) launched by the Deputy Prime Minister, Tan Sri Dato' Haji Muhyiddin Mohd Yassin on behalf of the Prime Minister.





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- A photograph of a man in a dark suit and red tie speaking at a podium. The podium features the ASEAN logo and the text "7th ASEAN FINANCE MINISTERS' INVESTOR SEMINAR". The background is a large screen displaying the words "Borrow" and "ASEAN" in large blue letters, with "Investment" and "Government" partially visible above and below respectively.

OCTOBER

- ## Former MD gets one day jail, RM2m fine for financial fraud

A FORMER managing director of a listed construction company broke down in tears at the Sessions Court yesterday when the judge handed down a custodial sentence of a day's jail and fined him RM2 million for committing financial fraud involving RM15.5 million.

This prompted Judge S.M. Komathiyappan to ask Ngu Tiong Ung, 43, if he was all right, and whether he was happy or sad with the sentence.

Ngu just nodded and his counsel

Nga, former managing director of Pancaran Ikrab which has since been delisted, changed his "not guilty plea" to "guilty" yesterday on two charges, on the second day of trial.

As for the third charge which involved criminal breach of trust involving RM21.5 million, the Securities Commission (SC) agreed that it be taken into consideration when sentencing.

She also ordered Ngu to pay a fine of RM1 million for each of the offences and allowed the defence's request for Ngu to pay the RM2 million in 12 equal monthly instalments.

- 1 Dec The Chairman delivered keynote address at the International Shariah Investment Convention 2010 organised by Amanie Business Solutions Sdn Bhd.
- 3 Dec Memorandum of Understanding signed with Qatar Financial Markets Authority (QFMA) to foster closer regulatory ties and co-operation.
- 8 Dec The Chairman delivered keynote address at the 15th ASLI Malaysian Capital Market Summit.



INVESTOR EDUCATION PROGRAMMES

PROGRAMME	DESCRIPTION	REACH
Radio Series – IE Series (Part I) on BFM	<ul style="list-style-type: none"> Three minute question and answer session, every weekday over a 5 week period. Edumericals – key message/s for the week and repeated during the day over 12 weeks. 	<ul style="list-style-type: none"> Aired between Feb – Mar 2010 Aired between Mar – Jun 2010
Minggu Saham Amanah Malaysia, Kuching	One of Permodalan Nasional Berhad's main efforts to showcase their companies and products and educate the public on the importance of investment and unit trust as an alternative to financial planning and investing.	187,000 visitors
Pameran Ekonomi Islam, Pantai Timur	To promote and educate consumers on Islamic financial services in particular, the Ar-Rahnu scheme and to ensure consumers understand the advantages of Ar-Rahnu.	3,300 visitors
Minggu Kesedaran Kewangan (BNM), Kota Kinabalu	A financial education exhibition held annually by BNM for which we are a supporting organisation.	37,000 visitors
Smart Partnership Programme	In collaboration with BNM, the SC sent speakers to talks organised in various venues like police headquarters, community colleges and universities etc.	2,730 attendees
Collaborative effort with Federation of Malaysian Consumers Associations (FOMCA)	Arrangement with FOMCA to distribute leaflets through their nationwide branches to increase reach.	5000 leaflets: <i>Soal Jawab Pelabur</i> – 2,250 copies; <i>Program Celik Kewangan</i> – 2,250 copies; 500 brochures on scams
Kids & Cash and Teens & Cash	A fun and interactive programme aimed at inculcating a money management culture as well as basic understanding of investing.	40,904 students
B.M.W. (Be Money Wise) Seminar	A practical and sensible programme conducted via seminars that helps parents, rural communities, blue collar workers and women to understand money management, increase familiarity with investing, create awareness of investors' rights and responsibilities and develop resistance to scams.	5,956 participants
Cash@Campus	A programme specially tailored to university students to increase their capacity to manage savings and develop their investment capability.	2,518 students

PROGRAMME	DESCRIPTION	REACH
Money@Work	A basic hands-on programme where employees of public and private organisations learn how to take control of their finances and plan for a safe and secure future.	1,276 employees
Media articles	A series of editorials published in major newspapers and magazines discussing smart investing, the basics of financial management and spotting fraudulent investment schemes.	50 articles (2,831,000 readers annually, 378,354 daily)
	A series of articles on corporate governance and board responsibilities published in <i>The Star</i> newspaper.	25 articles (970,000 readers annually, 286,409 daily)
Educational leaflets	Four leaflets were developed: <ul style="list-style-type: none"> • Bond: Mission to Invest • <u>Know Your Rights as an Investor Series:</u> <ul style="list-style-type: none"> • <i>Series 1: Right to Seek Information</i> • <i>Series 2: Right to Voice Your Opinion</i> • <i>Series 3: Right to Lodge a Complaint</i> 	250,000 leaflets distributed
TV segments	A series of infomercials promoting money management and wise investing were broadcast on various TV channels.	108 spots on ASTRO Ceria, TVIQ, TV3 and TV9 (2,929,700 viewers i.e. residential subscribers)
Malaysian Investor website (www.min.com.my)	The main point of reference for the public and investors alike, it focuses on the basics of money management and investment techniques. Investors who need clarifications can also submit their queries to the website.	Two new articles every month (1,163,430 hits)
Campus kaChing! 2010	An annual inter-varsity money management competition that aims to assess students' ability to promote the concept of money management and investing in a creative and entertaining manner via the peer-to-peer approach.	17 universities (500 viewers watched the Grand Finals)

ACRONYMS AND ABBREVIATIONS

ABS	Asset-backed debt securities
ACMF	ASEAN Capital Markets Forum
ADB	Asian Development Bank
AFMIS	ASEAN Finance Ministers' Investor Seminar
AMLA	<i>Anti-Money Laundering Act 2001</i>
AML/CTF	Anti-Money Laundering/Combating Terrorist Financing
AMLATFA	<i>Anti-Money Laundering and Anti-terrorism Financing Act</i>
AOB	Audit Oversight Board
APEC	Asia-Pacific Economic Co-operation
APRC	Asia-Pacific Regional Committee
ASEAN	Association of South-East Asian Nations
BNM	Bank Negara Malaysia
BTS	Bursa Trade Securities
Bursa Malaysia	Bursa Malaysia Securities Bhd
CBRC	China Banking Regulatory Commission
CCM	Companies Commission of Malaysia
CDS	Central Depository System
CIS	Collective investment scheme
CMDF	Capital Market Development Fund
CMP	<i>Capital Market Masterplan</i>
CMSA	<i>Capital Markets and Services Act 2007</i>
CMSL	Capital Market Services Licence
CMSRL	Capital Market Services Representative's Licence
CPE	Continuing Professional Education
CP/MTN	Commercial Papers/Medium Term Notes
CPO	Crude Palm Oil
CRA	Credit Rating Agency
CSR	Corporate Social Responsibility
DBR	Disclosure-Based Regulation
EMBI	Emerging Markets Bond Index
EMC	Emerging Markets Committee
EPF	Employees Provident Fund
ETF	Exchange-Traded Fund
FAQs	Frequently-Asked Questions
FBMKLCI	FTSE Bursa Malaysia Kuala Lumpur Composite Index
FIA	<i>Futures Industry Act 1993</i>

FIC	Foreign Investment Committee
FIMM	Federation of Investment Managers Malaysia
FLR	Front-Line Regulator
FPAM	Financial Planning Association of Malaysia
FPLC	Federation of Public Listed Companies
FRS	Financial Reporting Standards
FTA	Free Trade Agreement
FTSE	Financial Times Stock Exchange
GDP	Gross Domestic Product
GLC	Government-Linked Company
ICM	Islamic capital market
IFSB	Islamic Financial Services Board
IMF	International Monetary Fund
IMP	Islamic Markets Programme
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offering
ISO	International Standards Organization
IT	Information Technology
ITI	Industry Transformation Initiative
LOFSA	Labuan Offshore Financial Services Authority
M&A	Mergers and Acquisitions
MAICSA	Malaysian Institute of Chartered Secretaries and Administrators
MASB	Malaysian Accounting Standards Board
MATRADE	Malaysia External Trade Development Corporation
MAVCAP	Malaysian Venture Capital Management Bhd
MGS	Malaysian Government Securities
MIA	Malaysian Institute of Accountants
MIBA	Malaysian Investment Banks Association
MICG	Malaysian Institute of Corporate Governance
MICPA	Malaysian Institute of Certified Public Accountants
MIFC	Malaysia International Islamic Financial Centre
MITI	Ministry of International Trade and Industry
MoU	Memorandum of understanding
MRA	Mutual Recognition Agreement
MSCI	Morgan Stanley Capital International
MVCA	Malaysian Venture Capital and Private Equity Association
MVCDC	Malaysian Venture Capital Development Council
NAV	Net asset value
NEM	National Economic Model
NKEA	National Key Economic Area
OCIS	Oxford Centre for Islamic Studies
OECD	Organisation for Economic Co-operation and Development
PDS	Private debt securities
PE	Private equity
PLC	Public-listed companies
QDII	China's Qualified Domestic Institutional Investor
REIT	Real estate investment trust
SAC	Shariah Advisory Council

SBC	Stockbroking company
SC	Securities Commission Malaysia
SCA	<i>Securities Commission Act 1993</i>
SIA	<i>Securities Industry Act 1983</i>
SICDA	<i>Securities Industry (Central Depositories) Act 1991</i>
SIDC	Securities Industry Development Corporation
SIDREC	Securities Industry Dispute Resolution Center
SPV	Special purpose vehicle
SRO	Self-regulatory organisation
SSF	Single stock futures
TOM Code 1998	<i>Malaysian Code on Take-overs and Mergers 1998</i>
TOM Code 2010	<i>Malaysian Code on Take-overs and Mergers 2010</i>
UB	Universal broker
UK	United Kingdom
US	United States
UTMC	Unit trust management company
VC	Venture capital
VCC/VCMC	Venture capital company/venture capital management company
WTO	World Trade Organisation

