

Capital • My

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The third quarter of 2009 saw the continued easing of financial market conditions globally. Systemic risks have been substantially reduced following the unprecedented policy actions by governments and central banks. Equity markets started the quarter strongly and continued to rally with most markets posting an average gain of 17% in the third quarter.

Malaysia's capital market performance broadly reflected global trends in the quarter, and was supported by further liberalisation measures in the financial sector in an effort to boost and enhance the competitiveness of the domestic economy and capital markets. The FTSE Bursa Malaysia KLCI index (FBMKLCI) gained 12% from the previous quarter and recorded a 34% rise for the year.

Encouraging signs of recovery were observed in the corporate bonds and sukuk market in the third quarter this year. During this period, the value of corporate bonds issued amounted to RM14.4 billion, which is 13% higher than the RM12.5 billion issued during the same corresponding period in 2008. For the first nine months of this year, the value of corporate bonds and sukuk issued had reached RM45 billion. Similarly, the equity market has shown sustained and increased fund-raising interest. Until September this year, funds raised in the equity market amounted to RM12 billion, which is more than double the amount raised in 2008.

The fund management industry continues to remain the fastest growing segment in our capital market. The net asset value (NAV) for unit trust funds has increased from RM130 billion as at end-December 2008 to reach RM187 billion as at end-September 2009, representing 20.58% of Bursa Malaysia's market capitalisation. The industry has recorded net sales of RM18 billion in the first eight months this year, driven by the growing demand among investors for higher return investments and greater investment diversification.

To increase Malaysia's competitiveness as a fund-raising and investment destination, the recent Budget 2010, unveiled on 23 October 2009, continued to build on the liberalisation measures announced earlier by the Prime Minister of Malaysia. The latest measures include fully liberalising the foreign equity participation in corporate finance and financial planning companies to 100%.

To further raise Malaysia's international profile and leadership in these uncertain times, the SC organised the inaugural World Capital Markets Symposium in August 2009 which brought together distinguished thought leaders, policymakers, regulators, economists and finance practitioners from all around the world.

Malaysia ranked highly for Investor Protection measures in World Bank Report

Malaysia has continued to receive positive reports on its corporate governance framework, particularly for its investor protection regime. According to the World Bank's Doing Business 2010 Report, Malaysia retains its 4th position for investor protection for the fourth consecutive year.

Out of 183 countries assessed, Malaysia was ranked after New Zealand, Singapore and Hong Kong. The dimensions of investor protection covered are the transparency of transactions, the extent of directors' liability for self-dealing and ease of shareholders' suits.

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World Capital Markets Symposium

The SC hosted the inaugural World Capital Markets Symposium, themed “Global Financial Crisis: The Way Ahead”, on 10–11 August 2009 in Kuala Lumpur, Malaysia. The Symposium brought together some of the world’s most influential thought leaders, regulators, policy makers and market practitioners in a two-day highly interactive and thought-provoking platform, including the likes of Paul Krugman, Laura D’Andrea Tyson and Raghuram G. Rajan.

The event brought to the fore Asia’s leadership on the changing global financial landscape, and offered world policy makers and market players the opportunity to engage on issues impacting the expansion and further deepening of the global capital market.

The Symposium, which was well attended by over 500 people from more than 30 countries, received positive feedback, acknowledging the Symposium as an excellent platform for the exchange and discussion of ideas and thoughts, with a long term strategic and sustainable impact for the financial world.



Left to right: Minister of Finance Singapore, Tharman Shamugaratnam; Prime Minister of Malaysia, Dato' Sri Mohd Najib Tun Abdul Razak; Chairman, Zarinah Anwar; and Secretary for Financial Services and the Treasury, Hong Kong SAR, Professor K.C. Chan at the opening of the World Capital Markets Symposium in Kuala Lumpur, Malaysia.

2010 National Budget

The recently announced 2010 National Budget is based on three core strategies to boost the growth of the country. Aimed at advancing Malaysia to a higher income economy while ensuring holistic and sustainable development, the Budget also provides an important basis in shaping the country’s new economic model and serves as a precursor to the 10th Malaysia Plan.

The pro-business budget reflects the government’s commitment to increase Malaysia’s competitiveness from both the domestic and international perspectives. Some of the new measures introduced in the 2010 Budget to further liberalise and internationalise the Malaysian capital market are as follows:

- 100% foreign equity participation in corporate finance and financial planning companies compared with the present requirement of at least 30 per cent local shareholding;
- Stamp duty exemption of 20% on Islamic financing instruments;
- Tax exemption on profits received from non-ringgit sukuk originating from Malaysia approved by the SC is extended to profits received from non-ringgit sukuk originating from Malaysia approved by LOFSA;
- Deduction on expenditure incurred on the issuance of Islamic securities approved by the SC. The incentive is also extended to expenditure incurred on the issuance of Islamic securities approved by Labuan Offshore Financial Services Authority (LOFSA);
- Deduction on expenditure incurred to set-up Islamic stockbroking companies; and
- Liberalisation of the commission sharing arrangements between stockbrokers and remisiers to encourage retail participation in the stock market. The first stage, which takes effect immediately, allows flexible brokerage sharing at a minimum rate of 40% for remisiers. The commission sharing will be fully liberalised in the second stage, effective 1 January 2011.

Islamic Capital Market

Ex-IMF Director Dr Abbas Mirakhor named as SC-UM visiting scholar

The second Visiting Scholar under the auspices of SC–University Malaya Visiting Scholar Programme commenced on 24 September 2009 with Dr Abbas Mirakhor, the former Executive Director of International Monetary Fund (IMF). Dr Abbas delivered a public lecture at the SC entitled “Strengthening the Islamic Financial System: Lessons from the Crisis”, and participated in other events lined up by the SC during his 3-week stint in Malaysia.

The SC-UM Visiting Scholar Programme, launched earlier this year, brings in renowned scholars in Islamic finance with the aim of promoting and enhancing scholarship and research in the Islamic capital market, which Malaysia holds a global leadership role. The programme will also help develop the talent pool and the body of knowledge in the broader Islamic finance. The first scholar under the programme was Professor Mervyn K Lewis, a Professor of Banking and Finance in the University of South Australia’s School of Commerce, who shared his knowledge of Islamic finance and views on the subprime crisis and the credit crunch.

MIFC Qatar/Bahrain Business Forum 2009

The SC, in collaboration with Nomura and BNP Paribas, organised an Investors Dialogue in Qatar and Bahrain respectively as part of the MIFC Qatar/Bahrain Business Forum to provide a platform to share investment and business opportunities in the capital markets.

The Forum was organised in conjunction with a road show by the Malaysia International Islamic Financial Centre (MIFC) 10–16 October 2009, to strengthen bilateral relations between Malaysia and Qatar and Bahrain and to provide a platform for potential business collaboration and investment opportunities between the financial industry and market players. The roadshow, led by HRH Raja Dr Nazrin Shah, Financial Ambassador to the MIFC was supported by a delegation of more than 60 organisations, comprising regulators and intermediaries from the financial industry.

Market Developments

Main and ACE markets take effect

3 August 2009 marked a significant milestone with the introduction of a new regulatory framework which streamlined the approval process for listings and equity fund-raising, as well as merged Bursa Malaysia’s Main and Second Boards into a single unified board, and revamped the previous MESDAQ Market into an alternative market known as ACE Market that caters to companies from all sectors. These reforms are aimed at reducing time-to-market to enable companies to raise funds in the capital market in a more efficient and cost effective manner. Certain responsibilities for approval of equity-based corporate proposals have been shifted from the SC to Bursa Malaysia, also aimed at making the market more efficient.

Securities Borrowing and Lending Model Enhanced for More Flexibility

The SC and Bursa Malaysia introduced the Securities Borrowing and Lending Negotiated Transaction (SBLNT), an enhanced securities borrowing and lending (SBL) model that offers an option to borrow and lend on an over-the-counter (OTC) basis. The SC also released the revised SBL Guidelines while Bursa Malaysia issued the relevant rules, procedures and guidelines to provide for SBLNT. The SBLNT model was implemented on 17 August 2009. Under the SBLNT framework, any eligible person who is approved by Bursa Malaysia Securities Clearing Sdn Bhd may borrow and lend securities. The lender and borrower are now given the flexibility to enter into SBL agreements, hence they can negotiate and agree on the terms of borrowing and lending directly. These SBL transactions must, however, be reported via on-shore borrowing and lending representatives and facilitated through Bursa Malaysia Securities Clearing as the approved clearing house.

Enforcement News

During the third quarter, the SC was successful in securing convictions for a range of breaches of the securities laws. These actions included cases of financial fraud, breaches of the *Malaysian Code on Take-overs and Mergers 1998*, and other cases involving fraud.

High Court orders for Takaso shareholders to be compensated

On 7 August 2009, the Kuala Lumpur High Court directed Up & Famous Sdn Bhd and six other defendants to make an offer and compensation scheme to relevant shareholders of Takaso Resources Bhd with respect to their failure to carry out a mandatory offer under the *Malaysian Code on Take-overs and Mergers 1998*.

On 22 December 2006, SC had filed a civil suit against the defendants as parties acting in concert for breaching the Code by increasing their interest in Takaso when, having collectively held more than 33% of the shares in Takaso, they increased their stake in the company by more than 2% within a six month period without undertaking a mandatory offer to the remaining shareholders of the company. The relief sought by SC requires the defendants to compensate the affected shareholders of Takaso who sold their shares at a price lower than the relevant price at which the offer ought to have been made, as at 17 January 2002.

Former financial controller pleaded guilty to submitting false information to Bursa

On 18 August 2009, Kok Hen Sen, the former financial controller of Megan Media Holdings Bhd, was fined by the Kuala Lumpur Sessions Court after pleading guilty to submitting false information to Bursa Malaysia.

Four charges were preferred against Kok under section 122B(a)(bb) of the *Securities Industry Act 1983* (SIA) read together with section 122C(c) of the SIA. Following the guilty plea for the first charge and taking into consideration Kok's admission to the remaining three charges under section 122B(a)(bb), the Kuala Lumpur Sessions Court fined Kok RM350,000 (in default 12 months imprisonment). The SC has appealed to the High Court against the sentence meted out to Kok.

Former Group MD of Polymate Holdings convicted for submitting false statement

The Kuala Lumpur Sessions Court on 20 October 2009 convicted Ng Kim Weng for submitting false statement to the Malaysian Securities Exchange Bhd (now known as Bursa Malaysia Securities Bhd). The conviction follows Ng's guilty plea to the above offence which falls under section 122B(b)(bb) of the SIA. Ng was fined RM300,000, in default one year imprisonment.

As Group Managing Director of Polymate Holdings Bhd (Polymate) at the material time, Ng had authorised the submission of false statements through the reported Trade Receivables and Revenue in Polymate's Consolidated Balance Sheet and Income Statement for its financial year ended 30 September 2003.