

Capital My

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Quarterly news bulletin of the Securities Commission Malaysia (SC)

Executive Summary

The Malaysian stock market performance mostly mirrored that of other markets in the Asia-Pacific region in the last quarter. Domestic stock market volatility rose moderately, driven largely by event risk and investor risk aversion arising from the sovereign debt crisis in the European Union.

The SC approved fund-raising proposals amounting to RM15.94 billion, of which 99% was for debt securities. Among the fund-raising proposals were two IPOs for the Main Market, with a total potential market capitalisation of RM190.1 million, which are expected to raise funds amounting to approximately RM59.03 million. In addition, there were nine offers for take-overs valued at RM1.05 billion.

Gross issuance of corporate bonds increased to RM19.86 billion in the third quarter of 2011 from the RM13.9 billion in the corresponding period last year. Issuance was mainly undertaken by corporates and financial institutions, reflecting the continued momentum of fund-raising activities in the domestic market.

As part of our ongoing international engagements, the SC continues to participate in key international events such as the IOSCO Emerging Markets Committee and other capital market events. The SC also signed a letter of intent with Tsinghua University's School of Economics and Management (Tsinghua SEM), one of the top business schools in China, to develop an annual five-day Malaysia-China Financial Programme for Senior Executives, to further enhance capital market collaboration.

6th most competitive in Asia Pacific



According to the Malaysia World Economic Global Forum's Global Competitive Report 2011–2012, Malaysia was ranked 6th most competitive economy in Asia Pacific and 21st in the world (up five spots from 2010), ahead of Korea, New Zealand, Israel, Luxemburg and the UAE.

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SC collaborates with top Chinese business school

On 14 September 2011, the SC signed a letter of intent with Tsinghua University's School of Economics and Management (Tsinghua SEM), one of the top business schools in China, to develop an annual five-day Malaysia-China Financial Programme for Senior Executive (MCFP). The MCFP aims to provide senior management of Malaysian companies, especially from the financial services industry, with a better understanding of the developments and trends in China's economy, the securities market and financial system as well as its regulatory framework.

The inaugural session which was held in Beijing from 17 to 21 October 2011 provided participants with a platform to share views, gain valuable insights into the fast developing Chinese capital market and network with key speakers consisting Chinese government officials and business experts.

The MCFP will run for a duration of three years. Its lectures, interactive discussions and networking sessions are jointly conducted by Chinese government agency representatives, industry experts and academicians.

For more information on the programme, please email Ms Tai Mei Ling at mltai@seccom.com.my.



Signing ceremony between Tsinghua University, Professor Xue Lei, Executive Director of Executive Education and the SC Chairman, Tan Sri Zarinah Anwar, witnessed by Malaysia's Deputy Finance Minister Dato' Donald Lim Siang Chai

SC partners with MoE to make school children financially savvy

The SC launched the "Train the Trainer for Teachers" programme in partnership with the Ministry of Education (MoE) on 14 September 2011 to promote financial literacy amongst school children. The programme is part of the SC's regulatory priority on investor education and long-term plan to provide young kids a head start in financial literacy.

Through the programme, teachers will be equipped with financial literacy teaching skills who will then serve as "change agents" to create a significant multiplier effect to reach out to school children, aged between 10 to 15 years.

The SC delivers a range of investor education programmes through its training and development arm, The Securities Industry Development Corporation (SIDC). Programmes such as Be Money Wise and Money@Work cater to adults, while Kids & Cash, Teens & Cash, Cash@Campus and Kampus kaChing are for children.

For more information, please email Mohd Azril at Azril@seccom.com.my.

"Children are the building blocks of our future. Inculcating sound financial literacy and discipline in a child, results in an informed and financially prudent adult with the necessary skill sets to safely participate in the capital market."

– SC Chairman, Tan Sri Zarinah Anwar



Malaysia's Deputy Education Minister Wee Ka Siong officiating the "Train the Trainer for Teachers" programme

IOSCO Emerging Markets Committee Advisory Board meeting

The meeting of the Emerging Markets Committee Advisory Board (EMCAB) of the International Organization of Securities Commissions (IOSCO) was held in Madrid, Spain on 29 September. The EMCAB is responsible for providing strategic advice to the IOSCO Emerging Markets Committee (EMC), the largest Committee within IOSCO.

The SC is involved in various work streams within IOSCO, including representing IOSCO in the Financial Stability Board Task Force on Emerging Market and Developing Economies (EMDEs). The Task Force was mandated to prepare a report for the G-20 Leaders on key financial stability issues of relevance to EMDEs.

The SC is also co-chair of the IOSCO EMC Task Force on Corporate Bond Markets, together with the Securities and Exchange Board of India. The Task Force, in collaboration with the World Bank, has finalised the Report that examines the state of development of corporate bond markets in emerging market jurisdictions, identifies existing impediments which affect the development of efficient corporate bond markets and proposes recommendations to overcome these impediments. The SC presented the Report on the Development of Corporate Bond Markets in Emerging Markets to the EMCAB for its recommendation for approval.

The SC also chairs the IOSCO EMC Working Group on the Regulation of Secondary Markets, and is currently working on a mandate on Day Trading in Emerging Markets. The objective of the mandate is to examine the role of day traders and to provide emerging markets with a greater understanding of the approaches adopted in relation to day trading, including the concerns, the potential risks and conflict of interests.

Malaysia's capital market sustained vibrancy in Q3

On 27 October 2011, the SC released its Q3 Scorecard. Some of the key highlights announced were, 23 new corporate applications were received out of which, eight were for equity proposals and 15 were for private debt securities (PDS) proposals.

The two IPOs which were approved from the applications received are expected to have a combined potential market capitalisation of RM190.1 million and to raise a total amount of funds of RM59.03 million. All 15 applications for PDS proposals considered in Q3 were approved. The total amount of funds to be raised from ringgit-denominated PDS issues approved in Q3 is RM15.9 billion. Additionally, 20 applications for the establishment of new collective investment schemes were approved in Q3, of which 13 were for unit trust funds and seven were for wholesale funds.

The full series of capital market statistics released by the SC is available on www.sc.com.my.

Market Developments

SC revises guidelines for corporate bonds

On 12 July 2011, the SC issued the revised *Private Debt Securities Guidelines* (PDS Guidelines) and *Trust Deed Guidelines* to enhance the regulatory framework for fundraising and product regulation in the private debt securities market.

The revised PDS Guideline streamlined the approval process and time-to-market for the issuance of corporate bonds, as well as provided greater disclosure of relevant information to investors. Additionally, the *Trust Deed Guidelines* improves disclosure standard and protection for corporate bond holders. These revised Guidelines will supersede the *Guidelines on the Offering of Private Debt Securities Guidelines*, *Guidelines on Minimum Contents Requirements for Trust Deeds* and all the related practice notes respectively.

These revised guidelines can be downloaded from the SC website.

SC revises Outsourcing Guidelines

On 9 August 2011, The SC released its revised *Guidelines on Outsourcing for Capital Market Intermediaries*, which replaces the *Guidelines on Performance of Supervisory Functions at Group Level for Capital Market Intermediaries* and *Guiding Principles for Outsourcing of Back Office Functions for Capital Market Intermediaries* to further strengthen investor protection measures and allow intermediaries to outsource back office functions to both local and foreign service providers.

Islamic Capital Market

SC revises Islamic Securities Guidelines

The SC issued the revised *Sukuk Guidelines* which came into effect on 12 August 2011. The Guidelines will provide greater clarity on the application of Shariah rulings and principles endorsed by the SC's Shariah Advisory Council (SAC) in relation to sukuk transactions.

The revisions are part of SC's efforts to enhance the regulatory framework for fundraising and product regulation in the sukuk markets, making it more attractive for both local and international issuers and investors to participate in Malaysia's leading sukuk market.

These revised Guidelines will supersede *Guidelines on the Offering of Islamic Securities*.

Enforcement

Two former directors sentenced to jail and fined for CBT

On 22 September 2011, The Kuala Lumpur Session Court found Gordon Toh Chun Toh and Dato' Abul Hassan Mohamed Rashid, former directors of Multicode Electronic Industries (M) Bhd, guilty of committing criminal breach of trust under section 409 of the *Penal Code* involving over RM26 million funds belonging to the company.

Gordon Toh Chun Ton, a Singaporean, was sentenced to 12 years imprisonment and ordered to pay a fine of RM1 million while Dato' Abul Hassan Mohamed received jail sentences of six years.

Former directors of INIX convicted and fined for submitting false statements

On 29 September 2011, the Kuala Lumpur Session Court convicted and fined Mok Chin Fan former director and Cheong Kok Yai senior executive of Inix Technology Bhd (INIX) for submitting false statements to Bursa Malaysia Securities Bhd. Both were individually fined RM125,000 (in default one year imprisonment) for the offence under Section 55 of the *Securities Commission Act 1993* (SCA) and RM50,000 (in default six months imprisonment) each for the four offences under section 122B of the *Securities Industry Act 1983* (SIA).

Additionally, Normah Sapar, accounts executive of INIX, also pleaded guilty to abetting Jimmy Tan Soon Guan, the former Chief Executive Officer and executive director of INIX for the offences under section 122B SIA and section 55 SCA. She was fined RM150,000 (in default one year imprisonment) for the offence under section 55 of the SCA and RM50,000 (in default six months imprisonment) each for the four offences under section 122B of the SIA.

Upcoming Capital Market Events

The SC-Bursa Corporate Governance Week themed "Sustainably: Taking corporate governance a step further" will commence on 29 November–2 December 2011 at Bursa Malaysia. There will be a series of talks by eminent speakers in the area of corporate governance. For further information please email Ms Su Ee Juen at EJSu@seccom.com.my or Ms Nadia at nadiaz@seccom.com.my.

The SC will host the 5th International Islamic Capital Market Forum which will be held on 10 November 2011 at Lanai Kijang, Bank Negara Malaysia.

For enquiries, please email icmforum@seccom.com.my