

Highlights on Malaysian capital market

The Malaysian economic recovery remained strong, evidenced by robust economic growth in 2012, which exceeded expectations to register a gross domestic product of 5.6%. This was mainly due to resilient domestic demand and strong private investment. The Malaysian economic growth is projected to register 5–6% in 2013, supported by increasing domestic demand.

During the quarter, the Securities Commission Malaysia (SC) approved fund-raising proposals amounting to US\$5.36 billion, of which 76% was for

private debt securities. Three approved proposals were IPOs for the Main Market with potential market capitalisation of US\$4.13 billion and are expected to raise funds amounting to approximately US\$1.29 billion. There were also eight take-over offers valued at US\$3.92 billion.

Additionally, at the end of Q1 2013, the size of the ringgit bond market stood at US\$326.1 billion with a total of US\$134.6 billion or 41.7% comprising corporate bonds. The outstanding sukuk issues stood at US\$157.9 billion or 48.6% of total bond market.

FSAP: Malaysia exhibits high level of compliance with international standards in securities regulation

In 2012, Malaysia undertook the Financial Sector Assessment Programme (FSAP), a comprehensive and in-depth analysis of a country's financial sector by the International Monetary Fund (IMF) and the World Bank. For the capital market, the core assessment is against the global standards developed by the International Organization of Securities Commissions (IOSCO). The SC and the Malaysian capital market were among the first in the world to be assessed under the latest and more stringent global standards introduced following the Global Financial Crisis, including the more rigorous set of IOSCO Principles and an extensively revised assessment methodology.

The detailed assessment report, published by the IMF in March 2013 highlighted that 34 out of 37 IOSCO Principles assessed were rated as “fully implemented”, including the eight new principles introduced in 2010. This result attests to the quality of regulation and supervision in the Malaysian capital market, and the effectiveness of the strategies and policies adopted by the SC in fulfilling its two-pronged regulatory and market development mandates. It also validates the approach that the SC has consistently undertaken to benchmark itself against international best practices in securities regulation and supervision, while making sure that such measures are effective and appropriate for the Malaysian capital market.

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SC Chairman elected to lead IOSCO's Emerging Markets Committee



The SC Chairman Ranjit Ajit Singh has been elected as the Chairman of the Emerging Markets Committee (EMC) of the International Organization of Securities Commissions (IOSCO). He will also hold the position as Vice-Chair of the Board of IOSCO, the governing body of IOSCO and will represent the EMC at the Financial Stability Board (FSB).

Following the recent meeting in May, the EMC will be renamed the Growth and Emerging Markets (GEM) Committee to better reflect the nature of the markets in which its members operate. The 86 members include some of world's fastest growing economies and 10 of the G-20 members.

The GEM Committee will seek to provide greater focus towards balancing growth and implementation of regulation, including looking at greater inclusiveness, strengthening channels of communication and developing greater regulator capacity for emerging markets.

World Bank recognises Malaysia as a regional leader in corporate governance

Malaysia has received strong ratings from the World Bank in its Corporate Governance Report on Observance of Standards and Codes 2012 (CG ROSC) released in February 2013. Out of the six OECD Principles for Corporate Governance examined, Malaysia scored highest in terms of equitable treatment of stakeholders, enforcement and institutional framework as well as disclosure and transparency.

“It is important to have in place a strong corporate governance eco-system in order to sustain active investor interest and growth in the capital market. We are highly encouraged by the strong endorsement by the World Bank on the collective efforts by the regulators and the industry in strengthening corporate governance in Malaysia.”

– Ranjit Ajit Singh, SC Chairman

ASIC Annual Forum

The SC Chairman participated at the Australian Securities and Investments Commission (ASIC) Annual Forum themed the ‘New Normal’ held in Sydney, Australia in the session entitled ‘What does the new normal mean for business and regulators?’, together with Elise Walter (Chair of US Securities and Exchange Commission), Howard Wetston (Chair of Ontario Securities Commission), Greg Medcraft (Chair of ASIC) and David Wright (Secretary General of IOSCO).



SC Chairman at the ASIC Annual Forum

The discussions focussed on the key challenges in global financial regulation including the migration of savings from the banking sector to the securities sector, ongoing risk that financial innovation will outpace regulation and the need to ensure consistent global regulation and a level playing field for securities markets. The SC was asked to provide a perspective on financial inclusion as well as its benefits and consequences, regional integration (with a focus on ASEAN) as well as the

need for greater regulatory inclusion cooperation to avoid polarisation of discussions.

In a separate panel session, the SC Chairman was the keynote speaker in the session on ‘Development of Bond Markets in Asia’. Topics covered measures taken to develop corporate bond markets in Asia post Asian Financial crisis, the development of the Malaysian Islamic bond (sukuk)

market, the impact of 2007–2008 Global Financial crisis on Asian markets as well as the challenges for further development of Asian bond markets. The session generated a significant amount of interest among the international audience.

The Forum was attended by approximately 400 senior regulators and industry leaders from around the world.

Harmonised ASEAN disclosure standards for greater efficiency and cost savings

On 1 April 2013, the ASEAN Capital Markets Forum (ACMF) announced the implementation of the ASEAN Disclosure Standards Scheme (Scheme) for multi-jurisdiction offerings of equity and plain debt securities in ASEAN by the securities regulators in Malaysia, Singapore and Thailand.

The Scheme aims to facilitate fund raising activities within ASEAN, as well as to enhance the investment opportunities within ASEAN capital markets. This Scheme is one of the capital market initiatives undertaken by the ACMF as part of the regional capital market integration plan endorsed by the ASEAN Finance Ministers in April 2009 in Pattaya, Thailand to meet the objectives of the ASEAN Economic Community Blueprint 2015.

The Scheme allows for issuers offering equity and plain debt securities in multiple jurisdictions within ASEAN to now comply with one single set of disclosure standards for prospectuses, known as the ASEAN Disclosure Standards, bringing about greater efficiency and cost savings to issuers.

“The initiative represents a significant milestone towards creating a more efficient environment for access to capital across the region, and is a key initiative by ASEAN capital market regulators to promote greater cross-border investment flows and grow the region’s capital markets.”

– Ranjit Ajit Singh, SC Chairman

The Scheme operates on an opt-in basis and other ASEAN members will adopt the Scheme as and when they are ready to do so.

Earlier this year, the SC hosted the ASEAN Capital Markets Forum meeting in Kuala Lumpur where senior securities regulators engaged in discussions on the progress of the various regional integration initiatives set out in the ACMF Implementation Plan.

Regional co-operation in Islamic capital market on the cards

The ASEAN regulators met in Kuala Lumpur to discuss regional co-operation in Islamic capital markets as part of the ASEAN Capital Markets Forum’s (ACMF) efforts to better integrate the region’s capital markets. Supported by the Asian Development Bank (ADB), the SC organised a two-day workshop from 15 to 16 January to assess the value proposition for Islamic capital market (ICM) development and cooperation, to discuss key issues and challenges relating to regulatory, operational and Shariah matters. In a survey conducted by the SC ahead of the workshop, many ASEAN regulators had expressed interest in developing and growing their respective Islamic capital markets. The workshop attracted over 60 participants from the region.

“ASEAN member countries should combine our substantial resources and capabilities to seek the numerous opportunities available to undertake cross-regional transactions and activities in the Islamic capital market in order to enhance our collective competitiveness and achieve greater economies of scale”.

– Zainal Izlan Zainal Abidin, SC Executive Director, Islamic Capital Market



ACMF Islamic Capital Market Regional Workshop, SC Conference Hall, 15-16 of January 2013

ISLAMIC CAPITAL MARKET

SC collaborates with the Oxford Centre for Islamic Studies to host the 4th Islamic Finance Roundtable

Leading Islamic finance experts, Shariah advisers and scholars met in Ditchley Park, Oxfordshire, United Kingdom for the fourth SC-Oxford Centre for Islamic Studies (OCIS) Roundtable on Islamic Finance held on 9–10 March 2012.

The Roundtable's theme focused on 'Completing the Islamic financial system cycle: from a Shariah-compliant to a Shariah-based approach'. Participants debated on various issues and challenges in transitioning from a largely Shariah-compliant structure to an all-encompassing Shariah-based approach.

They also discussed and shared perspectives on the growth of Islamic finance and financial inclusion, issues of

profitability for better informed decision making by investors and stakeholders and issues on valuation approaches and pricing. His Royal Highness Raja Dr Nazrin Shah, the Regent

of the State of Perak who is also the Financial Ambassador of the Malaysia International Islamic Financial Centre (MIFC) delivered the Special Address at the closed-door Roundtable.



Participants at the SC-OCIS Roundtable

ENFORCEMENT NEWS

SC succeeds in High Court in securities fraud case

On 14 January 2013, the High Court dismissed the appeal of Wahid Ali Kassim Ali, a former director and fund manager of Aiwanna Asset Management Sdn Bhd, against his conviction and sentence for securities fraud which he committed between 2001 and 2002. Wahid Ali was convicted by the Kuala Lumpur Sessions Court in October 2005 of three

charges under the section 87A(c) of the *Securities Industry Act 1983* for omitting to provide material facts in the statements of account to its client, Eastern Pacific Industrial Corporation Bhd. He was sentenced to one-year imprisonment for each charge and a fine of RM1 million (in default of the total RM3 million fine, one-year imprisonment).

Court of Appeal affirms conviction and sentence of former MIH manager

On 5 March, the Court of Appeal affirmed the High Court's decision and struck out the appeal by Ashari Rahmat against his conviction and sentence under section 87A (B) of the SIA for swapping successful balloted envelopes for the initial public offering (IPO) of UPA Corporation Bhd (UPA)

shares, with those that did not go through the process at the Malaysian Issuing House (MIH) between 15 to 16 February 1997. Ashari was an operations manager with the MIH, an issuing house in charge of handling the balloting of IPOs during the material time

He was convicted and sentenced to three years jail and a fine of RM1 million (in default of one year jail) by the Sessions Court in 2009. Ashari is currently serving his imprisonment sentence.