

Highlights on Malaysian Capital Market

Amid a volatile global environment in 2013, the Malaysian capital market remained resilient and grew by 10.5% to RM2.7 trillion in 2013. Key market segments recorded steady growth on the back of robust domestic fundamentals.

The bond market ended the year at RM1.0 trillion and maintained its position as the third-largest in Asia relative to GDP. Equity market capitalisation grew to RM1.7 trillion with the benchmark index rising 10.5%, making the market one of the top performers in Asia. Significant gains were also recorded by the domestic small-cap index (+36.7%) following increased participation by institutional funds and greater interest by retail investors.

The capital market continued to be a major source of financing with RM94 billion raised through corporate bonds and initial public offerings (IPOs). Bond issuances accounted for 91% of financing raised. The breadth and depth of the market underpinned the strongest period of capital-raising on record with

a total of RM240 billion raised over the last two years.

The fund management industry continued to play an important role in mobilising domestic savings, with assets under management (AUM) growing by 16.5% to RM588 billion. Unit trust funds continued to be the largest contributor to the growth in AUM, with net asset value (NAV) increasing to RM336 billion, equivalent to one-fifth of stock market capitalisation.

The Islamic capital market grew by 8.8% to RM1.5 trillion, with Shariah-compliant assets representing 56% of the overall capital market. Malaysia maintained its leadership role as the world's largest sukuk market, accounting for 69% of global sukuk issuances in 2013. A revised Shariah screening methodology for listed equities was implemented in November 2013 to further increase the attractiveness of Malaysia's Islamic equity and fund management segments to international investors.

World's Leading Capital Market Regulators Meet in Kuala Lumpur

Key capital market regulators from developed and emerging market economies met in Kuala Lumpur from 19 to 21 February 2014 for the Board Meeting of the International Organization of Securities Commissions (IOSCO). Over 100 representatives of IOSCO from 30 jurisdictions discussed global issues affecting capital markets and securities regulators.

IOSCO is the leading global standard setter for securities regulation.

Members of the IOSCO regulate more than 95% of the world's capital markets worth approximately US\$127 trillion.

The Board meeting intensified IOSCO's commitment to regulators in growth and emerging markets in building resilient capital markets to withstand volatility in global markets while supporting sustained growth.

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"Securities regulators play an instrumental role in shaping the long-term architecture of global capital markets. Given the increasingly complex and competitive international financial markets, it is essential for the global regulatory community to come together to build stronger and more developed markets. Markets can and must play their part as enablers for the allocation of wealth, to serve as a powerful tool to promote sustainable and inclusive growth in the real economy."

– The Honourable Dato' Sri Mohd Najib Tun Abdul Razak, Prime Minister of Malaysia addressing IOSCO Board members

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IOSCO's Growth and Emerging Markets (GEM) Steering Committee also held its inaugural meeting, chaired by Ranjit Ajit Singh, Chairman, Securities Commission Malaysia, Vice Chairman of the IOSCO Board and Chairman of IOSCO GEM Committee. Issues

pertaining to emerging markets were deliberated extensively especially the need to further enhance the resilience of emerging markets by strengthening institutional structures, adopting a more forward-looking and proactive approach in risk identification and building regulatory capacity

including in the area of supervision and enforcement. Ranjit Ajit Singh commented that as the world shifts towards more market-based financing, the significance of emerging markets will grow along with potential opportunities for capital-raising and investment in their economies.



IOSCO Management Team with IOSCO Secretary General



Prime Minister of Malaysia, The Honourable Dato' Sri Mohd Najib Tun Abdul Razak meets members of IOSCO

Equity Guidelines Revised to Simplify Transfer of Listing and Regulatory Principles for SPACs Clarified

In December 2013, the SC revised its Equity Guidelines to enhance investor protection and market efficiency. The key changes include additional investor safeguards and a practice note to clarify the regulatory principles and requirements of Special Purpose Acquisition Companies (SPACs), as well

as introducing an easier transfer process for ACE Market counters to move to the Main Market of Bursa Malaysia Securities Berhad (Bursa Securities).

The changes are part of the SC's on-going efforts to ensure that regulations and guidelines remain

relevant and effective with balanced regulation to ensure the risks associated are proportionately addressed.

A copy of the revised Equity Guidelines can be found on www.sc.com.my.

Global Thought Leaders at SC's Third World Capital Markets Symposium

In conjunction with its 20th Anniversary, the SC organised the World Capital Markets Symposium (WCMS) themed, 'Redefining Markets: Sustaining Growth and Resilience', from 22 to 23 October 2013 in Kuala Lumpur, Malaysia.

Since 2009 WCMS has emerged as a flagship thought-leadership platform for discussion and debate on opportunities and challenges faced by capital markets as well as the broader economy. It is also a platform to attract investments into the Malaysian capital market, which apart from being recognised as an advanced emerging market, is also the world's largest sukuk market and Asia's third largest bond market by GDP.

Among the prominent speakers were Lord Adair Turner, Senior Fellow, Institute for New Economic Thinking and Former Chairman, Financial Services Authority, UK; The Honourable Sheila C Bair, Former Chairman, Federal Deposit Insurance Corporation, USA; and Dr Fareed Zakaria, Editor-at-Large of Time magazine and host of Fareed Zakaria GPS, CNN's flagship international affairs program. Key speakers shared their views on factors underpinning efforts to build inclusive resilient and sustainable capital markets.

The Symposium also discussed the growing role of Asia and the impact of an integrated ASEAN on regional dynamics. Prime Minister of Malaysia, The Honourable Dato' Sri Mohd Najib Tun Abdul Razak delivered the keynote address to more than 700 senior policymakers and representatives from global financial institutions, academia as well as local and foreign media from over 40 countries.

Additionally Hans Hoogervorst, Chairman of International Accounting Standards Board and David Wright, IOSCO shared perspectives as regulators from global financial

"Markets still need to be redefined, and trust and confidence have yet to be fully restored. In our view, it is clear that for markets to regain their vibrancy, the following three imperatives are critical: sustainability, inclusiveness and systemic resilience."

– Ranjit Ajit Singh, SC Chairman

standard-setting organisations of how a strong regulatory foundation can be the basis of a sustainable and resilient capital market.



Prime Minister of Malaysia, The Honourable Dato' Sri Mohd Najib Tun Abdul Razak who officiated the opening of WCMS being introduced to Fareed Zakaria, Sheila C Bair and Lord Adair Turner by the SC Chairman



Discussion during the Panel Session on Financial Leaders on the Future of Finance

ISLAMIC CAPITAL MARKET

Revised Shariah Screening Methodology to Spur Greater Foreign Islamic Funds Inflow

The SC released the updated list of Shariah-compliant securities approved by its Shariah Advisory Council (SAC) in November 2013, based on the revised screening methodology.

Under the revised screening methodology, SAC adopts a two-tier quantitative approach which applies the business activity benchmarks and the financial ratio benchmarks. The

revision has taken into consideration of the rapid development of the Islamic finance industry in Malaysia, since the Shariah screening methodology was first introduced in 1995. The revision potentially spurs greater inflow of foreign Islamic funds into Malaysian Shariah-compliant equities, thus expanding the Islamic capital market's global reach, as outlined in the *Capital Market Masterplan 2*.

The updated list took effect on 29 November 2013 features a total of 653 Shariah-compliant securities. These counters constitute 71 per cent of the 914 listed securities on Bursa Malaysia. The list includes 16 newly classified Shariah-compliant securities and excludes 158 from the previous list issued in May 2013.

The next updated list will be made available in May 2014.

ENFORCEMENT NEWS

Former Fund Manager Fined RM1 million for Providing Misleading Disclosures to SC

In December 2013, the Court of Appeal found Mohamed Bin Abdul Wahab, who was previously both a licensed fund manager and executive director of Metrowangsa Asset Management Sdn. Bhd. (Metrowangsa), guilty of authorising the furnishing of misleading statements to the SC in Metrowangsa's semi-annual report from 2000 to 2001 under section 122B(b)(cc) of the *Securities Industry Act 1983* (SIA).

Mohamed was charged in 2003 with two offences under section 122B(b)(cc) and one offence under section 47C(5) of the SIA for having abetted Metrowangsa in using RM50 million of Lembaga Tabung Haji's moneys to pay its other clients which he was convicted by the Sessions Court in April 2009, and ordered to pay a fine of RM200,000 (in default of one year imprisonment).

He was however acquitted by the Sessions Court and thereafter by the High Court of the charges under section 122B.

In reversing the High Court's decision to acquit Mohamed, the Court of Appeal sentenced him to RM500,000 for each charge, making the total fine of RM1 million. In default of payment, he is to serve one year imprisonment.

SC Charges Former MPAC CEO for Insider Trading

On 10 January 2014, the SC charged Dato' Ch'ng Chong Poh, the former Chief Executive Officer (CEO) of Malaysia Pacific Corporation Berhad (MPAC) with 58 counts of insider trading of MPAC shares between 14 May 2008 and 20 August 2008.

All 58 charges preferred against Dato' Ch'ng were for offences under Section 188(2) of the *Capital Markets and Services Act 2007*.

The offences carry a punishment of mandatory imprisonment not

exceeding 10 years and a fine of not less than RM1 million. Dato' Ch'ng claimed trial to the charges preferred. Bail was set at RM300,000 with one surety also required Dato' Ch'ng to surrender his international passport to the court.