

# Capital • My

July 2008

Quarterly news bulletin of the Securities Commission of Malaysia

**THE SECURITIES COMMISSION (SC) MALAYSIA** is pleased to reintroduce *Capital.My*, a quarterly bulletin, providing an update of key developments in the Malaysian capital market. This improved and enhanced publication, now available electronically, is part of our concerted efforts to communicate regularly with our domestic and international stakeholders.

The environment in which we operate is becoming increasingly challenging. We have strengthened our capabilities, remained vigilant and heightened our level of supervision and surveillance as well as investigation and enforcement. A milestone civil enforcement action was initiated against eight foreign parties and two Malaysians for market manipulation, rigging and fraud.

We have taken a proactive approach in responding to the needs of the industry. This includes improving processing time, raising the level of transparency and bringing local listing rules in line with international best practices.

On the international front, we were called upon to lend our expertise for a peer review of the Indian capital market against the IOSCO Objectives and Principles of Securities Regulation. The SC Chairman, Dato' Zarinah Anwar was also elected the Vice Chairman of the Emerging Markets Committee of IOSCO in May.

As we move into the second half of 2008, we are determined to further strengthen our capabilities and effectiveness. The SC has been recognised by the local market players for taking on a proactive approach in responding to their needs and the international community has placed its trust in our capabilities.

In this issue we provide a snapshot of some developments in the capital market and the enforcement actions.

We hope you will find this and future issues of *Capital.My* useful. Should you require further information about the Malaysian capital market, please contact Neetasha Rauf or Eileen Wong at [cau@seccom.com.my](mailto:cau@seccom.com.my).



*Dato' Zarinah Anwar*

*Chairman of SC Malaysia and  
elected Vice-Chairman of IOSCO  
Emerging Markets Committee*

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## SC approves three Islamic fund management licences

The SC recently approved Islamic fund management licences to Kuwait Finance House (Malaysia) Bhd, DBS Asset Management Ltd, and CIMB-Principal Islamic Asset Management Sdn Bhd to establish Islamic fund management companies in Malaysia. The government had, in Budget 2008, announced that it would offer three Islamic fund management licences as part of its efforts to promote Malaysia as an Islamic financial centre and to draw Middle Eastern funds.

The offering of these licences forms part of Malaysia's continuous and progressive efforts to internationalise its Islamic capital market (ICM). Malaysia's ICM has a strong foundation, seen by the full complement of infrastructure, institutions, intermediaries, and investors contributing to the depth and breadth of the market.

Three foreign fund management companies – Aberdeen Asset Management, BNP Paribas Asset Management, and Nomura Asset Management are already operating in Malaysia. Licences have also been approved for Credit Agricole Asset Management and Franklin Templeton Investments to establish operations.

The establishment of fund management operations by leading global fund managers reflects their confidence in the growth prospects for the Malaysian investment management industry and their interest in Islamic fund mandates.



## SC Chairman elected to leadership role in world's securities regulator body

The SC Chairman, Dato' Zarinah Anwar, was elected as the Vice-Chairman of the Emerging Markets Committee (EMC) of the International Organization of Securities Commissions (IOSCO) at its 33rd Annual Conference held in France in May. IOSCO is the world's most important international co-operative forum for securities regulators, and the EMC members make up over 70% of the total IOSCO membership which stands at 109.

As Vice-Chairman of the EMC, Dato' Zarinah will work together with the EMC Chairman Guillermo Larrain (of Chile) to lead the group in discussing key regulatory issues and challenges that are relevant to emerging market jurisdictions, with a view to developing international guidance and best practices to regulate the capital market.

The SC continues to play an active role in IOSCO. It chairs the IOSCO EMC Working Group on Secondary Market Regulation, and is currently leading a mandate on approaches to surveillance in emerging markets.

Dato' Zarinah also chairs the ASEAN Capital Markets Forum, a forum where the heads of securities regulators in ASEAN meet to discuss capital market-related initiatives in the region.

## Enforcement actions

### SC charged ex-Directors of Welli Multi Corporation Bhd for furnishing misleading statements

On 15 April 2008, the SC charged the former Managing Director and Executive Director of Welli Multi Corporation Bhd (WMCB) for four counts of furnishing misleading statements to the SC and Bursa Malaysia. The misleading statements were for the revenue figures of WMCB from December 2005 to September 2006. The accused were released on bail for RM150,000 each with condition that all travel documents were surrendered to the Court.

### SC secures conviction against Emorevest Sdn Bhd for operating illegal futures markets

On 28 May 2008, three individuals and a company pleaded guilty for operating an illegal futures market under the *Futures Industry Act 1993*. The three individuals and the company were fined between RM30,000 and RM50,000 each.

### SC files landmark civil suit against IRIS Corporation for share manipulation

Marking the beginning of a new approach in combating market manipulation, the SC initiated a milestone civil enforcement action against two Malaysian individuals and eight other foreign individuals and companies for alleged manipulation, market rigging, and fraud of Iris Corporation Bhd shares. In addition, the SC sanctioned two stockbroking companies and two dealer's representatives involved in the case.

In pursuing its investigation, the SC worked closely with six foreign regulators to unravel the complex cross-border transactions.

## New guidelines

### Guidelines on Market Conduct and Business Practices

To ensure that the Malaysian intermediation services are anchored on appropriate prudential standards with high levels of business conduct and professional skills, the SC issued the *Guidelines on Market Conduct and Business Practices* on 8 April 2008.

The guidelines identify 11 core principles of supervision applicable to stockbrokers and their representatives under the principles-based approach to regulation. The SC will be guided by these guidelines when assessing whether stockbrokers and their representatives have taken steps to manage their business affairs responsibly.

### Guidelines and Best Practices on Islamic Venture Capital

To promote the development of the Islamic venture capital industry, the SC issued the *Guidelines and Best Practices on Islamic Venture Capital* on 7 May 2008.

The guidelines and best practices set out the core requirements for establishing an Islamic venture capital corporation or Islamic venture capital management corporation and the best practices to be adopted to promote prudent Islamic standards in the industry.

## Prospectus exposure

Effective 3 March 2008, all registrable prospectuses for the issuance of securities for IPOs and collective investment schemes to be listed on Bursa Malaysia will be posted on the SC's website for the public's review. The public may submit their comments to the SC within five days prior to the actual prospectus registration.

The public exposure of prospectuses submitted for registration is to further enhance disclosure standards and transparency of fund-raising exercises.

## Exchange news

### **Bursa Malaysia acknowledged by Investor Relations Global Rankings 2008 for good corporate governance practices**

Bursa Malaysia was ranked among the top five in Asia/Pacific and Africa for corporate governance practices by Investor Relations (IR) Global Rankings 2008. It is the first Malaysian company and the only stock exchange to be recognised in this field. The corporate governance ranking evaluates the company's management accountability, board of directors, minority shareholders' protection, capital structure and other policies, transparency and equality while balancing stakeholder interests.

### **Bursa Malaysia wins Futures & Options World Exchange of the Year (Asia Pacific) 2008 Award in London**

Bursa Malaysia was recognised as the Exchange of the Year (Asia Pacific) 2008 against five other top Asia Pacific exchanges at the annual Futures & Options World (FOW) Awards 2008 in London.

The FOW Awards 2008 recognise exchanges that have made significant contributions towards the progress of global derivatives market throughout the past year. Nominees for the Exchange of the Year (Asia Pacific) 2008 included Shanghai Futures Exchange, Singapore Exchange, Bursa Malaysia, Australian Securities Exchange, National Commodity & Derivatives Exchange of India and Multi Commodity Exchange of India.

One of Bursa Malaysia's winning criteria was the stellar performance of the Crude Palm Oil Futures (FCPO) contracts which achieved a 103% growth over a period of three years (2004 to 2007). The award further reinforced the global acceptance of the popular FCPO contract which has also become the preferred benchmark for the pricing of palm oil and palm-based products worldwide oil prices.

## Scorecard for 2nd quarter 2008

The SC approved five new listings in Q2 2008. The approved new listings are expected to have a total potential market capitalisation of RM705.35 million. Of the five proposals, two were for Main Board and MESDAQ Market respectively, and one for the Second Board). There was also a significant increase in applications for transfer to the Main Board, with the SC receiving eight new applications as compared to one in the previous quarter. Half of these were for companies listed on the MESDAQ Market. The increase reflected an encouraging growth in the financial performance of these companies as the majority of them have only been listed for three years or less.

The SC maintained its strong performance standards with 99 percent of licensing applications and 100 percent corporate proposals processed within the time charters.

The full series of capital market statistics (information on processing, approvals and rejections of submissions, including timing and reasons) are available at [www.sc.com.my](http://www.sc.com.my).