

# Capital • My

October 2008

Quarterly news bulletin of the Securities Commission of Malaysia

In the last quarter, global financial markets came under renewed pressure as threats to systemic stability manifested in September with the collapse or near-collapse of several key institutions in the US. Strains on the global financial system intensified as the financial crisis spread around the globe, triggering a series of bankruptcies, forced mergers and far-reaching government interventions to stem the fallout.

The Malaysian economy and financial institutions, however, remains strong and resilient, registering 7.1% GDP growth for the first quarter of the year and 6.3% for the second quarter. Malaysia has a diversified economy and export market, and high international reserves close to RM379.3 billion (equivalent to US\$109.7 billion) as at 30 September 2008. The Ministry of Finance and Bank Negara Malaysia jointly announced that all ringgit and foreign currency deposits with commercial, Islamic and investment banks, and deposit taking development financial institutions regulated by Bank Negara Malaysia (BNM), will be fully guaranteed by the Government through Malaysia Deposit Insurance Corporation (PIDM) until December 2010. The guarantee extends to all domestic and locally incorporated foreign banking institutions and access to BNM's liquidity facility will be extended to insurance companies and takaful operators regulated and supervised by the BNM.

The Malaysian capital market remains fundamentally sound, with a strong regulatory framework and internationally-benchmarked standards of corporate governance, risk management and market conduct in place.

This issue highlights several new regulatory initiatives introduced in this quarter.



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## 2009 National Budget

The Malaysian government unveiled a three-pronged strategy for the Budget 2009 focusing on strengthening the nation's economic resilience to mitigate the adverse impact of an increasingly challenging environment. Themed "A Caring Government", the strategies include ensuring the well-being of Malaysians (through easing the burden of the rising cost of living), developing quality human capital and strengthening the nation's resilience (through growth opportunities of selected sectors in the economy).

In order to continue developing a vibrant capital market, among the measures proposed in the 2009 Budget are:

- Tax exemptions on fees received by domestic intermediaries that successfully list foreign companies and foreign investment products on Bursa or securities. This measure will also enable domestic investors to acquire shares of foreign companies listed on the local exchange;
- Three-year tax exemption for fees, and profits earned by institutions undertaking activities relating to the arranging, underwriting, and distributing and trading of non-ringgit *sukuk* issued and distributed outside Malaysia;
- Reduction of tax rate on dividends received by individuals and foreign institutional investors from real estate investment trusts (REITs) (individuals from 15% to 10% and foreign institutional investors from 20% to 10%); and
- Five-year tax exemption for venture capital companies that invest at least 30% of their funds in start-up, early stage financing or seed capital.

## New Licences Issued by the SC

### SC Grants Licence to Nomura Group to Establish Stockbroking Company

Nomura Group has been granted a licence by the SC to establish a stockbroking company in Malaysia. It is one of three additional stockbroking licences available to be issued to leading stockbroking companies. They are also expected to play a role in sourcing funds from the Middle East.



Nomura's presence in Malaysia is expected to further encourage greater flow of funds from Nomura's global network, including from Japan and the Middle East, and to promote the Malaysian capital market to global investors. The group was recently given approval to establish an investment bank in the Kingdom of Saudi Arabia.

### SC Grants Licence to JAIC – First Foreign Venture Capital Corporation

The SC granted approval to Japan Asia Investment Co. Ltd (JAIC), to undertake venture capital activities in Malaysia. JAIC, one of the largest venture capital companies (VCCs) in Japan, marked the entry of the first foreign VCC in Malaysia. As at 31 August 2008, there are 57 VCCs registered with the SC.



JAIC's entry into Malaysia will increase the pool of private equity funding available in Malaysia. Apart from venture capital investments, JAIC is also an active player in private-equity-related businesses, such as buyout investments, restructuring financing, and secondary investments. The presence of foreign venture capital companies in Malaysia is expected to add greater depth and breadth to the pool of players within the industry.

## Harmonised Disclosure Standards for Cross-Border Offerings Within ASEAN

At the ASEAN Finance Ministers' Investors Seminar in Dubai on 8 October 2008, the ASEAN Finance Ministers announced the release of the ASEAN and Plus Standards Scheme to facilitate cross-border offerings of securities. The SC played a key role in leading the ASEAN Capital Markets Forum (ACMF), a high-level grouping of ASEAN securities regulators, to develop these harmonised standards of disclosure, as well as other initiatives that will promote and achieve greater integration of the region's capital market.

The scheme, which comprises a set of common ASEAN Standards, and additional requirements prescribed by individual members known as the Plus Standards, aims to promote the integration of the region's capital markets, and will facilitate greater efficiency in cross-border capital-raising and provide cost savings to issuers making multi-jurisdiction offerings within ASEAN. Under the scheme, issuers seeking to issue equity or debt securities in more than one ASEAN country will be required to prepare only one set of disclosure documents, with additional limited wrap-arounds for multi-jurisdiction offers.

The ASEAN Standards are based on the standards on cross-border offerings developed by the International Organization of Securities Commissions (IOSCO). They also fully adopt the accounting and auditing standards of the International Financial Reporting Standards and International Standards on Auditing. Meanwhile, the Plus Standards contain additional standards that are required by some ASEAN jurisdictions due to their particular market practices, laws or regulations.

## Islamic Fund Co-operation Between Malaysia and the Middle East

Following the Mutual Recognition agreement between the SC and the Dubai Financial Services Authority for cross-border marketing and distribution of Islamic funds in March 2007, Prudential Fund Management Bhd (PFMB) in Malaysia and Prudential Asset Management Limited in the Dubai International Financial Centre signed a Memorandum of Understanding (MoU) to expand marketing co-operation and distribution of Islamic funds in Malaysia and the Middle East. The MoU, signed in Kuala Lumpur on 20 August 2008, provides for closer distribution of Prudential-managed Islamic funds in both jurisdictions.

In Asia, Prudential's asset management business is one of the region's largest. PFMB is one of Prudential's hubs for managing Islamic funds.



The MoU signing ceremony was witnessed by the SC Chairman, Zarinah Anwar and Prudential Corporation Asia, Chief Executive of Fund Management, Arne Lindman

Based in Kuala Lumpur, it currently manages six Shariah funds and Prudential BSN Takaful funds valued at RM629 million. PFMB also manages offshore Shariah assets worth RM294 million.

## Enforcement

### Swisscash: Monies Overseas to be Traced and Repatriated

On 25 September 2008, the SC obtained judgement against the defendants when the High Court ordered Albert Lee Kee Sien, Kelvin Choo Mun Hoe and Dynamic Revolution Sdn Bhd (the defendants) to pay US\$83 million and any further amounts traced by the SC, for the purposes of compensating the investors of the Swisscash investment scam.

The judgement also restrained the defendants from carrying on the Swisscash business and other unlicensed activities or hosting any internet investment scheme websites. This judgement was the culmination of two years of intensive effort by the SC in pursuing the perpetrators of the Swisscash investment scam which involved cross-border investigations spanning seven countries to gather evidence and trace Swisscash monies.

With this judgement, the SC will be able to work with its counterparts in other countries including Switzerland, the Isle of Man, Jersey, Australia and Singapore to trace and repatriate Swisscash monies of approximately RM30 million known to be held overseas to satisfy the judgement. Eligible investors will be compensated once these monies have been successfully repatriated.

## New Guidelines

### SC Introduces New Measures to Boost Growth of REITs

The SC revised the Guidelines on Real Estate Investment Trusts (REITs) to enhance the attractiveness of Bursa Malaysia as a destination for REIT listings and promote a vibrant and competitive REIT industry domestically and regionally. Among the flexibilities provided are:

- Allowing up to 70% foreign shareholding in REIT management companies, an increase from 49% since 2005;
- Providing greater flexibilities for REIT Managers to manage their REITs' portfolio mix;
- Allowing REIT Managers to raise funds faster for acquisitions or capital expenditure purposes.

More details of the guidelines are available on the at [www.sc.com.my](http://www.sc.com.my).

## SC's Scorecard for Third Quarter 2008

Amidst the current volatile global financial environment, the Malaysian capital market continues to attract interest in initial public offerings (IPOs).

The third quarter also saw an increase in the number of sizeable companies headed for listings, as reflected by the jump in the number of Main Board-bound companies approved thus far. Five out of the 11 new IPOs approved are for the Main Board, three for the Second Board, and another three for the MESDAQ Market.

The SC also approved 23 private debt securities and nine capital-raising proposals. The total domestic funds raised from the fund-raising proposals approved amounted to RM16.46 billion, out of which RM15.45 billion or 93.9% of the total funds raised/to be raised was from debt securities.

The SC maintained its strong performance standards with 98% of licensing applications and 92% corporate proposals processed within the time charters.