



S P E E C H E S

**OPENING ADDRESS
BY
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SECURITIES COMMISSION
ON
"AMENDMENTS TO THE SECURITIES LAWS"
HOTEL ISTANA**

Good morning,

I am indeed heartened to see so many of you here today. Your attendance and participation this morning itself is a testimony of continued public interest and support for the long term development and regulation of our Malaysian capital market.

The turmoil in the currency and stock markets has rocked the country, and within a year, our financial landscape has changed significantly. From the regulatory perspective, the country was subjected to the severest criticism of lack of transparency and insufficiency in the protection of investor interest. While the regulatory system is fundamentally sound, several areas of weaknesses have emerged which the Securities Commission has and will take stringent measures to address. While efforts to effect amendments to the securities laws were initiated by the SC about three years ago, these amendments nevertheless act as a timely response to address some of the deficiencies which existed in the past.

It is therefore most pleasing that on the 1st of April this year the amendments to the Securities Industry Act 1983 and the Securities Industry (Central Depositories) Act 1991 came into force. These amendments, which are the result of three years of research and discussion, make significant changes to some critical aspects of our securities laws. These changes will help to create a level playing field for all investors, those who possess special privileged information, and those who do not. The call for good ethical practices, transparency and corporate governance is now underpinned by a regulatory framework that is suitably strengthened and enhanced.

The new insider trading laws broaden the net insofar as people who can be regarded as 'insiders' are concerned. In the past the term 'insider' was restricted to 'an officer, employee or agent of a corporation'. Under the recent amendments however, 'any person who possesses inside information' is an 'insider' and is prohibited from trading in the relevant securities. Secondly a person who possesses inside information is also prohibited from communicating that information as he would be regarded as a 'tipper'. The new 'insiders' also extend to the tippee, i.e. the recipient of inside information.

Apart from redefining the scope of likely offenders, the SC has also increased its powers of enforcement and expanded its disclosure requirements. A new section, 99B imposes a

S P E E C H E S

duty on directors and chief executive officers to disclose their interest in a listed corporation and its associates. Under the Securities Industry (Reporting of Substantial Shareholding) Regulations, which came into force on 1 May this year, following the amendments to the SIA, a substantial shareholder in a company is now required to give notice to the SC of the particulars of his interest. The regulations apply to substantial shareholders of all public companies, whether listed on an exchange or not. These disclosure requirements, together with the civil remedies prescribed under S.90 will collectively act as a major deterrent to market manipulation and insider trading practices.

Good corporate governance and director's responsibility

The ultimate objectives of these amendments are simply to exact transparency, proper and timely corporate disclosure and promote good corporate governance. Corporate governance itself has become a major concern to governments, market regulators and the industry generally. The importance of corporate governance lies in its contribution both to business prosperity and accountability. Business prosperity cannot be commanded. People, teamwork, leadership, enterprise, experience and skills are what really produce prosperity. There is no single formula to weld these together and it is dangerous to encourage the belief that rules and regulations about structure will deliver total success. Accountability, by contrast, does require appropriate rules and regulations, in which disclosure is the most important element.

The new SIA provisions which we will discuss in greater detail today set the stage for a new incentive and a new initiative for the advancement and compulsion of accurate and timely disclosures, fair dealing by directors and of good corporate governance generally.

Investor protection

Investors play a crucial role in ensuring the accountability of companies. To do so, investors need first to have access to accurate information, upon which they can make informed investment decisions. That is why sound disclosure and reporting standards are crucial. Second, investors must be empowered to do something with the information provided to them. The regulatory framework for companies in Malaysia permits investors to air their grievances at shareholders' meetings, enforce their rights through court actions under various circumstances or to simply 'sell out'. In this respect, the introduction of civil remedies through the new amendments is a milestone achievement in shareholder empowerment. It allows an investor to institute civil action against an insider or market manipulator to recover losses arising from a contravention of the Act. In appropriate circumstances, the SC may institute civil action and seek disgorgement of up to three times the profit made by the insider and his associates.

S P E E C H E S

Conclusion

The 1997 amendments underscore the seriousness with which the Commission approaches the issue of investor protection and market integrity. Our work is ongoing, the SC is always looking for ways to ensure fair trading and adequate investor protection. Measures to achieve this goal must include a combination of law reform and improvement of implementation and enforcement modalities. Ultimately however, fair trading and adequate investor protection cannot be achieved fully unless those in positions of responsibility such as directors, advisers and senior management of corporations regard accountability, transparency and corporate governance not as a mere fashionable mantra but in fact internalise these elements in the conduct of their professional responsibilities.

Thank you.