



## **S P E E C H E S**

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**Speech by**

**Encik Ali Abdul Kadir  
Chairman, Securities Commission**

**in conjunction with**

**MESDAQ Start of Trading Ceremony  
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First of all, I would first of all like to thank MESDAQ for inviting me to say a few words this morning. I would like to extend my congratulations to MESDAQ and Tuan Haji Khairil Anuar Abdullah in particular, and Supercomal Technologies Berhad on this occasion. I am pleased to be present today, to witness the start of the trading on MESDAQ and the launch of its first listing. The commencement of trading on MESDAQ marks the entry into a whole new horizon of opportunities for its target companies, for the exchange itself, market intermediaries and investors.

In today's market conditions, we are all aware that there are many challenges ahead for MESDAQ and companies that seek to raise funds on it. However, it is heartening to note that this listing comes about in promising times. The market has begun to price Malaysia's sovereign risk more favourably. The recent surge in the regional markets from the lows of 1998 would indicate improved market sentiments, with investors and analysts looking for investment opportunities in anticipation of recovery in the region. We note with interest the recent success of stock issues on NASDAQ earlier this week, an indication of the interest of investors in new investment opportunities.

MESDAQ also starts with good "fundamentals", as an exchange targeted for companies with high growth potential. It has a viable legal, technical, and market framework to respond to market needs. It has a disclosure-based system, a comprehensive set of rules backed by recently strengthened securities and companies laws. MESDAQ also has the benefit of experiences of other jurisdictions; the requisite technologies to assist it in providing investors a market with a nation-wide reach; immediate and accurate transmission of data and transparent pricing mechanisms; tried-and-tested clearing mechanisms with shorter settlement periods, and mechanisms to ensure liquidity.

Ladies and Gentlemen, those factors in themselves will not be sufficient to ensure success. Obvious though this may seem, I feel that it is my responsibility as a regulator to touch on two important matters that are essential to attract investment capital - market integrity and investor confidence.

Experiences of other jurisdictions and recent events have focused on the need for preservation of integrity and confidence in the market. In this regard, all participants in

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this market have important roles and responsibilities, particularly in the conduct of due diligence, and in ensuring transparency and good corporate governance.

One of the most challenging aspects of this market, to my mind, is the ability to assess the value of technology companies, particularly those with little track record. The roles of sponsors, and analysts, will be all the more significant in assisting with the valuation of such companies as well as its associated risks. Because of the nature of technology companies and their limited track record, sponsors and analysts have a higher burden in undertaking their functions. Traditional market valuation methods may not be useful, in the case of start-ups and, in particular, technology companies. As such, they will need to conduct due diligences and continually track the performance of the company. They must have the relevant expertise, and assist the company to ensure the fullest of disclosures in order to guide investors in assessing the potential of their investments, as well as to highlight the associated risks.

Under such circumstances, I cannot overemphasise the need for companies, directors and management to comply with the disclosure requirements required by MESDAQ's business rules and securities laws. Each company, and its sponsors, have the responsibility to ensure that investors are as informed as possible. Nonetheless, we must recognise that full and timely disclosure is an important, but not the only, aspect of corporate governance.

I would urge company directors and management to be aware of all corporate governance issues. Directors and substantial shareholders of public listed companies are subjected to a complex web of common law and statutory responsibilities. In this regard, I would suggest that company directors and management should carefully consider the proposals in the recently published Finance Committee Report on Corporate Governance, in particular, the Malaysian Code on Corporate Governance, which are in the process of being implemented. I believe that newly listed companies that put in place corporate governance structures at the outset and that are able to show good governance practices, are likely to be better placed in the eyes of investors and for future fund raising exercises.

The MESDAQ market itself envisages broader roles for many participants in the financial services industry. Brokers will be allowed to undertake corporate finance activities with respect to MESDAQ companies; and fund management and venture capital companies may qualify can join as members of MESDAQ.

As such a larger responsibility lies with the exchange as a front line regulator. It has to ensure that all its intermediaries, sponsors, companies and other members comply with the rules of the exchange to the highest degree of integrity. The SC, on its part, will ensure that markets are conducted with integrity and fairness. Amendments to securities legislation last year, among others, strengthened the regulation of insider trading, increased the range of enforcement sanctions, including civil sanctions in order to deter



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insider trading and market manipulation. The SC has indeed made it clear that it will not hesitate to ensure the enforcement of these provisions. However, we must all recognise that important pillar of market integrity and confidence comes from the conduct of the companies, intermediaries, advisors and all other participants in the market.

Ladies and Gentlemen, MESDAQ represents an opportunity to contribute to the development of the Malaysian capital markets in support of small and medium sized enterprises and high growth companies and the Multimedia Super Corridor. Indeed, there is this unique opportunity for all participants concerned to shape the future of such companies, some of which could be potential industry leaders in Malaysia. In this regard, I hope that all participants will undertake their roles seriously.

I believe that all of industry and MESDAQ has an interest in seeing the success of this market. In this, I wish you all every success.