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**Welcome Address by
Encik Ali Abdul Kadir
Chairman, Securities Commission
At the
Malaysian Capital Market Summit
10 - 11 August 1999
Conference Hall, Securities Commission**

Yang Berbahagia Dato' Mustapa Mohamed,
Second Finance Minister, Ministry of Finance
Distinguished Guests,
Ladies and Gentlemen,

Good morning and welcome to the Malaysian Capital Market Summit. I would like to thank ALSI for jointly organising this summit with us. The theme of the Summit this year is 'A concerted effort at strengthening and sustaining the national economic recovery'. The government, the regulators and the market participants have to work together to move ahead towards sustaining the recovery. The Malaysian capital market has been through turbulent times in the last two years and we are here today to discuss the issues which have arisen from the Crisis, and to take a look at the measures which have been taken to address the problems. We need to assess how well the economy and the capital market have responded to the measures taken to revitalise these two highly inter-twined areas and move forward. The concerted efforts involving everyone is crucial to sustaining our current economic and stock market recovery.

The seminar begins with an overview of the overall economic recovery, which will be delivered through the keynote address by Yang Berbahagia Dato' Mustapa Mohamed. We would also be looking at issues that will affect all market participants, be they market institutions, intermediaries or investors.

We have identified six important topics for deliberation in this summit and let me share some brief thoughts on some of these with you. The first is corporate governance and this has become the latest buzzword that has captured our attention. Corporate governance covers rules, standards and guidelines that govern the behaviour of corporate owners and directors towards investors. During the crisis, significant attention was drawn to the issue of responsible corporate behaviour and the governance framework. The Finance Committee's report on corporate governance has comprehensively addressed the issues with seventy recommendations and we are now moving ahead with the implementation measures.

Secondly, an important lesson from the crisis is our ability to manage risk. The need for risk management systems has never been greater than in the current environment. The government, through Danamodal and Danaharta, has so far successfully recapitalised

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and nurtured the health of some of our institutions. Moving forward, senior management needs to understand and commit to a risk management program. Insufficient oversight and lack of understanding of hedging techniques in the past have to be overcome through training and education. A good risk management system should have at least three elements; identification of risk, quantification of risk and mitigation of risk through the use of hedging instruments.

Thirdly, I am confident that the time has come for the bond market to take off. The Khazanah Bonds, Danaharta and Danamodal bond issues could be seen as a start for the emergence of a deeper and more active bond market to come. An active bond market would serve as a vehicle for spreading credit risks and better buffering the over-dependence in the banking system as a source of funds. A deeper bond market and an active secondary bond market would benefit investors, especially institutional investors, as it enables them to invest in a diversified portfolio of instruments with different risk and return profiles. Added to this, we would like to see greater institutional participation by our unit trusts and asset management companies, providing both depth and liquidity to our markets.

Fourthly, our recovery will also depend on the recovery of the regional markets in East Asia. In fact, I am happy to note that we have witnessed the emergence of greater support from the international agencies upon Malaysia's persistence in working through the international fora, including at the bilateral level, to build a consensus on the need for reforms in the international financial architecture. A global solution at the regional and international levels would reinforce domestic efforts in strengthening and sustaining our markets in the future.

The recent Crisis of 1997/1998 has brought with it an accelerated pace of reform and reconstruction. We need to work concertedly to ensure that the measures taken and new ones to come will provide further investor protection and maintain market integrity, paving the way forward to an attractive capital market for all investors. The idea of a concerted effort should therefore become part of our culture, enshrined in each and every one of us, and inherent in the capital market for long term market resilience and sustained success of our national goals. Such efforts should not only be domestically oriented, but regional and international for the continued well-being of all.

In closing, I would like to thank the speakers for taking time off from their busy schedules to present in this two-day seminar and I would like to thank the participants for showing strong interest in the seminar as reflected by your high number of attendance. With that, I would like to invite Yang Berbahagia Dato' Mustapa Mohamed to present his keynote address - Yang Berbahagia Dato'.

SECURITIES COMMISSION
10 August 1999