

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

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### **KEYNOTE ADDRESS BY**

### **MINISTER OF FINANCE THE HON. TUN DAIM ZAINUDDIN**

### **AT THE LAUNCH OF THE CAPITAL MARKET MASTERPLAN**

**KUALA LUMPUR  
22 FEBRUARY 2001**

1. Encik Ali Abdul Kadir, Chairman, Securities Commission, Commission Members, Tan Sri-Tan Sri, Dato' - Dato', Ladies and Gentlemen,

It is a great pleasure for me to be here today to launch the Capital Market Masterplan. This Masterplan marks a positive step towards the further development of the Malaysian capital market. It presents a strategic roadmap for a coordinated and comprehensive approach to position our capital market to support economic growth and development. In particular, the Masterplan also addresses the challenges posed by the changing needs of market participants as well as increasing competition in the global capital markets.

2. A resilient and competitive capital market environment will provide Malaysia with additional investible capital outside the conventional money market to support economic growth. It was not too long ago that the financial crisis exposed the lack of a well-balanced financial system in the country. The economy was over dependent on the banking sector for financing, making it vulnerable to systemic risks. The challenge for the Government then was to further strengthen, broaden and deepen the Malaysian capital market to complement the role of the banks as traditional lenders. Recognising the critical role that the capital market plays in driving the growth of the real economy, the Government approved the initiative for the development of a Capital Market Masterplan in August 1999.

3. Ladies and Gentlemen,

The Masterplan will give market participants a clear and detailed indication of priorities as well as efforts to promote the capital market's strategic position and its future course of development. It would ensure that all Malaysians continue to have access to an internationally competitive and efficient securities market. Recent developments also indicate that increased complexity and depth of activities require an underlying regulatory framework that is both dynamic and facilitative.

4. Over the years, the Government has undertaken several measures to enhance the intermediary role of the capital market in financing economic activities. These include the development of the necessary infrastructure and institutions to support the growth of private capital funding namely, the equity and corporate bond markets, enhancement of the regulatory and prudential framework and introduction of a wider range of financial products to facilitate capital market development. We have also witnessed the growth of new instruments to cater for different needs, such as Islamic financial instruments and venture capital funds.
5. However greater efforts to further develop the diversity and competitiveness of the services as well as instruments available in our capital market is needed to ensure that the funding requirements of Malaysian

companies can be efficiently met. The capital market must also be responsive to the changing needs of investors. These are prerequisites to ensuring that the interests of all participants in the Malaysian capital market will be further advanced.

6. In view of this, the Malaysian capital market must effectively position itself as an **internationally competitive capital market** to become the preferred funding and investment base for investors and issuers of Malaysian securities. This means that the range, quality and strength of institutions and services must be highly efficient and competitive, and able to provide world-class services. At the same time, companies need to be able to raise funds at competitive costs. Investors, on the other hand need to have access to efficient and diversified avenues for deploying their funds into productive investments.
7. While the **equity market** has witnessed considerable progress, its further expansion remains a priority. The Malaysian market must be competitive and efficient for Malaysian investors and issuers and thereby being the primary gateway to Malaysian equity investments. There must be sufficient avenues and capacity in the market for firms to raise equity funding within the domestic capital market in a cost-efficient manner.
8. In addition, the nation's move towards K-economy requires a closer look at how the capital market can facilitate this shift. The Government continues to be highly supportive of the **venture capital industry** given its key role as an alternative source of early capital financing, especially for information and communications technology (ICT). This industry is an important component of the overall capital market and significant measures have been undertaken to develop this strategic sector. Strategic measures are needed to further develop the venture capital industry, especially in promoting the wider participation of investors in financing high-growth companies. In this regard, I have already announced in Budget 2001 the liberalisation of several listing requirements on MESDAQ to facilitate the easier access of venture capital companies to the capital market. In addition, further efforts will be directed towards enhancing market access and liquidity in the trading of high-growth stocks. These measures will help promote greater investor participation and the more efficient raising of funds by high-growth companies.
9. With regard to the development of the **corporate bond market**, several initiatives have been undertaken including the establishment of the National Bond Market Committee and the centralisation of regulatory authority for the corporate bond market with the SC. To further develop the bond market, I am pleased to note that the Masterplan has recommended the need to streamline the bond issuance process and promote greater product diversity, as well as to improve bond market liquidity. To support these measures, the Government will actively promote the further development of the benchmark yield curve and continue to ensure a facilitative environment for the successful creation of a deeper and more competitive corporate bond market.
10. Another segment that need to be developed further is the **Islamic capital market**. Given the existence of a modern and efficient market infrastructure and our comparative advantage in providing Islamic capital market services, Malaysia is in a strong position to become a leading player in the region. In this regard, we must build a strong and active base of Islamic securities and related services. At the same time, Malaysia must seize the opportunities to be active in the international Islamic capital market. This will enable us to effectively tap international funds seeking Islamic investments, thus adding further breadth and depth to the Malaysian capital market as a whole.
11. Ladies and Gentlemen,

**Investment management industry** is an integral part of the network linking investors with investment opportunities in a cost-efficient manner. To ensure greater efficiency in the mobilisation and management of domestic savinas. there is a need to have a fully developed domestic investment manaaement industrv.

If necessary, we will continue to pursue further deregulation and liberalisation of the investment management industry, with the appropriate safeguards.

12. The Malaysian capital market still has some way to go before we have a well-developed domestic institutional investor base. While we welcome all investors into our capital market, it is also important to encourage greater domestic institutional participation as suppliers and managers of private capital. Such participant will contribute to a broader and deeper pool of investors that will help to foster a more vibrant and performance-oriented corporate sector.
13. We will strive to further reinforce confidence in the Malaysian capital market. In particular, investors must be able to have confidence in the quality of information and the systems and procedures associated with listing and investing in our capital market. Companies must have high standards of reporting to allow informed assessments to be made by their stakeholders. They must also consistently exercise high standards of governance and accountability, to reinforce confidence in the transparency and integrity of the Malaysian corporate system.
14. Furthermore, under the SC's Disclosure Based Regulation, not only it is the issuer's responsibility to maintain high standards of corporate disclosure, the investors are also responsible for undertaking proper and informed assessment of their own investments. Therefore, there is a need to build up knowledgeable investors with realistic expectations as to the merits of their investments. Greater investor literacy is a necessary check-and-balance in line with our efforts towards better corporate governance. Therefore, appropriate investor education programmes are necessary to ensure that investors understand their rights and the risks and implications of their investment decisions.
15. Ladies and Gentlemen,  
  
An important challenge underlying the overall implementation of the Masterplan's strategies and recommendations lies in ensuring that the regulatory framework achieves the right balance between flexibility and discipline. This calls for, among other things, ensuring that there are no gaps or overlaps in the regulatory process, particularly in the light of the increasing integration of financial services. There must be a level playing field for all participants through the application of prudential requirements and standards of investor protection.
16. In conclusion I would like to emphasise that the use of technology and the brilliance of innovation alone cannot guarantee success in our efforts to develop the capital market. We must all endeavour to continue to be responsive, efficient and innovative and able to keep pace with changes so as to build a dynamic and internationally competitive capital market. More importantly, we need to effectively combine our efforts and resources in seeking the continuous improvement and development of the capital market.
17. Finally, I would like to express my thanks. to the SC, the Capital Market Strategic Committee and all of you who have contributed your efforts in the formulation of the Masterplan. It is my hope that this collaboration will continue, as we move together in implementing the recommendations contained in the Masterplan. I am confident that our combined efforts will bring about the successful realisation of our shared aspirations for the Malaysian capital market.
18. On this note, I have great pleasure to officially launch the Capital Market Masterplan.