



Opening Remarks
by
YBhg Datuk Ranjit Ajit Singh
Chairman, Securities Commission Malaysia
at the
International Corporate Governance Seminar (ICGS)
Thursday, 6 June 2013
Kuala Lumpur

Distinguished Guests,

Members of the media,

Ladies and Gentlemen,

1. Good afternoon and welcome to the International Corporate Governance Seminar. This event is organized on the back of the Asian Roundtable on Corporate Governance which was held over the last 2 days and was co-hosted by the Securities Commission together with the OECD, the SIDC and Bursa Malaysia, in partnership with the Government of Japan.
2. I would like to thank the OECD for its initiative in establishing the Asian Roundtable on Corporate Governance which has become a valuable and influential platform for engagement by senior officials, regulators and practitioners committed to improving corporate governance in Asia.
3. The SC is cognisant of the tremendous amount of work that has been undertaken by the OECD in contributing to the global corporate governance regulatory architecture. I have no doubt that the quality of debate which emanates from the OECD Roundtables will help guide and shape the corporate governance agenda and immediate term priorities of many Asian countries.

Globalisation and increased cross-border activities

4. A key challenge facing regulators internationally is the effects of globalization. As many of us are aware, obstacles to cross-border capital flows can negatively impact the growth of our financial markets. Market participants in particular have become increasingly concerned about the fragmentation of global standards, including inconsistent and sometimes conflicting regulations that make cross-border activities extremely challenging.
5. Securities regulators globally have a common objective of ensuring confident and informed investors, and maintaining fair, orderly and transparent markets. Efforts internationally have therefore been focused in ensuring greater consistency and equivalence of regulatory outcomes across borders.
6. This approach applies equally to the application of corporate governance standards. Increasing cross-border activities and investment flows have led to greater convergence of corporate governance standards and motivated many countries around the world to adhere to international standards of corporate governance as a means of increasing their competitiveness to tap domestic and international capital. The convergence of corporate governance standards also helps create an environment for investors to make comparable assessments and be assured that similar disclosure and governance standards are being implemented.
7. Driven by competition, countries have also been subjecting themselves to international assessments on corporate governance to measure their levels of compliance to the OECD Principles and best practices. These assessments are an important tool in identifying possible weaknesses that may contribute to a country's economic and financial vulnerabilities.
8. Recognising this significance Malaysia has actively participated in the World Bank Corporate Governance Report on Observance of Standards and Codes (CG ROSC). In actual fact, the third independent assessment and most recent of which concluded earlier this year with encouraging results for Malaysia after having received strong ratings in the World Bank CG ROSC.
9. Asian countries have similarly recognised the importance of having good corporate governance standards, and have put in place significant efforts to strengthen the laws and regulations, define shareholder rights and improve shareholder engagements. This is particularly critical given the region's increasingly prominent role in driving global growth. Through these efforts, the Asian landscape has today changed significantly as there is now much greater awareness and widespread implementation of global corporate governance standards as embodied by the OECD principles.

10. Many countries in Asia now have stronger regulations, well-resourced regulators and entities upholding or championing corporate governance standards and practices. Large Asian and emerging economies have also recognised corporate governance as a necessity in ensuring investor confidence and trust in the long term.
11. Within Asia, ASEAN as a geographical trading bloc, has identified the need for greater harmonisation of capital market standards and regulations to strengthen financial intermediation, enhance capacity and manage risks to support national and regional capital market growth. This motivation is driven by several factors. Several ASEAN companies are already operating across borders and derive significant profits from their foreign operations. Further, mergers and acquisitions and cross-listing of companies are gaining traction, ASEAN-based products and mutual funds investing in equities of other ASEAN countries are also on the rise.
12. Indeed, integration of ASEAN capital markets is already well underway through the ASEAN Capital Markets Forum (ACMF), a high-level forum created in 2004 under the auspices of the ASEAN Finance Ministers and comprising capital market regulators from the 10 ASEAN jurisdictions. Under the ACMF's Implementation Plan to Promote the Development of an Integrated Capital Market to Achieve the Objectives of the AEC Blueprint 2015, the SC leads the ASEAN Corporate Governance initiative which commenced in early 2011 and is now going in its third year.
13. The ASEAN Corporate Governance initiative comprising the ASEAN Corporate Governance Scorecard and the ranking of corporate governance of ASEAN public-listed companies is aimed at raising the corporate governance standards and practices of ASEAN companies as well as to showcase the visibility of well-governed ASEAN companies internationally.
14. These efforts reinforce the need that good corporate governance must move beyond national boundaries and that ASEAN regulators are committed towards raising corporate governance practices of their public listed companies. While respective ASEAN countries may have their own domestic scorecards, greater coordination is required at the regional level to further enhance the visibility and branding of ASEAN as an asset class based on corporate governance.

Malaysia's approach to corporate governance

Ladies and gentlemen,

15. Moving from ASEAN to Malaysia, we have always placed corporate governance as a priority and a core component in our strategic plans for the capital market. We are strong advocates that growth would only be sustainable if it is complemented by good governance.
16. Similar to other countries, our corporate governance journey is not without its challenges. The Asian Financial Crisis was a watershed moment and the beginning of our progressive efforts to promote good corporate governance. We have since established strong building blocks for a regulatory framework that now underpins the Malaysian corporate governance eco-system.
17. The subsequent release of the Corporate Governance Blueprint in July 2011 is a testament and affirmation of our continuing commitment to excellence in corporate governance. The Blueprint represents a significant review and recalibration of our efforts to ensure that Malaysia's corporate governance framework remains relevant and effective to address the challenges in today's environment.
18. We are currently half-way through the 5-year implementation period and most of the recommendations have already been implemented through the new Code and amendments to listing requirements. A mid-term post implementation review will be undertaken next year to gauge the extent of effectiveness of our regulatory efforts to steer our direction forward.
19. In our endeavor to elevate corporate governance standards, we are cognisant of the need for strong and fully functioning self and market disciplinary mechanisms. The inculcation of a good corporate governance culture in listed companies and other stakeholders within the CG ecosystem is paramount and a shared responsibility by all and not the sole preserve of the regulators.
20. This was clearly encouraged in the Corporate Governance Blueprint, and further manifested through the revised Malaysian Code on Corporate Governance issued in March 2012. The Code is aspirational and advocates adoption of standards beyond the minimum prescribed by regulations. It includes recommendations to strengthen the board structure and composition recognizing the board's role as active and responsible fiduciaries and the need for them to be effective stewards and guardians of the company.
21. While resources of a company are aimed at maximizing shareholder value, the interest of other stakeholders should not be compromised. Other areas which were emphasised are disclosure and transparency for timely and informed decision-making, the relationship between company and shareholders and the need for boards to facilitate the exercise of ownership rights by shareholders.

Lessons learnt and conclusion

Ladies and Gentlemen,

22. Corporate governance reform efforts in Malaysia will continue to be a priority in the years to come. To complement these initiatives, our enforcement efforts have been stepped up to ensure that any corporate transgressions are swiftly dealt with. This approach has proven to be effective as evidence has shown that companies are now not merely complying in form but also in substance.
23. Over the past decade, several valuable lessons have been learnt. While there can be universal corporate governance principles and best practices which regulators can look to, we recognise that intricacies prevailing may require contextualization of the CG framework to suit to domestic conditions.
24. We have also reaffirmed the need for proportionality in our regulations and for greater empowerment of stakeholders to enhance market and self-discipline. Regulatory discipline would be less critical with greater internalisation of good corporate governance culture and therefore, good business management must be coupled with ethics and morality with which a company must commit to. With such commitment, we believe we are already on track towards achieving higher growth with governance.
25. Finally, I would like to thank the speakers and participants who have made time to be part of this event. I would also like to thank Tan Sri Munir Majid, Dr Jesus Estanislao and Fianna Jurdant for taking the time to participate in the Oxford-style Debate. We will be hearing from them a little later today.
26. I am certainly looking forward to the many fruitful discussions and I wish everyone a productive and insightful Seminar.

Thank you.