



Keynote Address

By

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at

The Malaysia Investor Relations Awards 2013

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- Emerging Corporate Gems -

Yang Amat Berbahagia Tun Mohamed Dzaiddin Bin Haji Abdullah, Chairman
Bursa Malaysia

YBhg Dato' Tajuddin Atan, CEO Bursa Malaysia

Mr Steven Tan, Chairman of the Malaysian Investor Relations Association
(MIRA)

Members of the Board of MIRA

Distinguished Guests,

Ladies & Gentlemen

1. I would like to thank MIRA for the invitation to deliver the keynote address at today's Malaysia Investor Relations Awards. This is MIRA's third annual event since 2011 and it marks yet another successful milestone in MIRA's commitment to facilitating greater communication and solidarity between public listed companies and the investing public. I commend MIRA for your continuing efforts in promoting and advancing excellence in investor relations.
2. In this age where information (including misinformation) is available in abundance at the click of a button and where information flows can no longer be easily curtailed or confined, the success and sustainability of corporations

does not depend merely on the goods and services that they sell. An adverse comment on the internet can very quickly go viral and reach all corners of the globe, a 2-minute recording uploaded on the youtube, can bring untold damage, if not untimely demise, to the reputation and possibly the business of a corporation.

3. But it is not all bad news. This very same phenomenon has also fostered greater transparency, democratised businesses, opened up new horizons and opportunities for smaller businesses and has allowed bigger ones to reach suppliers, markets and investors on the other side of the globe. Witness for instance the birth in Malaysia of a new generation of young and successful online entrepreneurs with nothing more than a great idea, an abundance of passion and ICT skills. Successful and enduring businesses and corporations whether big or small, will be those that are able to effectively ride and capitalise on this big wave.
4. Many corporations today have grown very big and are able to wield enormous clout, often having influence beyond their traditional stakeholder base and into the broader national, regional or even global economy. According to the "Corporate Clout 2013" report published by www.Globaltrends.com, among the world's 100 largest economic entities in 2012, 40 are corporations while 60 are nation states. This illustrates the potential of companies to move the global economy in their own right. Thus failed corporations, like failed states, can have devastating social and economic consequences and can bring untold misery to millions in many countries across their supply chain.
5. There have also been seismic shifts in the structure and balance of global financial power. Many rapidly developing economies are moving up the ranks of global economic power and are seeing tremendous growth in their financial and capital markets. In Malaysia, the size of the capital market has more than tripled to RM2.5 trillion since 2000, representing over 264% of GDP. As at May 2013, outstanding sukuk and debt securities in the Malaysian market amount to RM1 trillion while the market capitalisation of Bursa Malaysia stands at RM1.6 trillion, comparable to major markets in the region. Our EPF, with RM536.5 billion in assets and funds under management, is the 6th largest pension fund globally.
6. As companies advance their corporate footprints beyond national borders and evolve into regional and global champions, is there room or opportunity for smaller companies, the so-called emerging corporate gems? Indeed there is. In fact it is the smaller companies and businesses that are the driving force behind many economies across the globe by creating jobs, generating wealth and stimulating supply-chain demand. The United States for instance has

identified small businesses as the engine for growth of the US economy, while in the European Union, SMEs account for 99.8% of all non-financial enterprises. In Malaysia SMEs comprise 97.3% of business establishments in the country.

7. As these small businesses grow so do their funding requirements. The capital market is of course one important venue for capital raising, and over the years, the SC has sought to ensure that there are different products and funding mechanisms, through equity and debt, that cater for companies at every stage of their growth.
8. The financing needs of smaller companies are addressed through the development of the venture capital industry. The size of venture capital funds has increased from RM2.1 billion in 2003 to RM5.7 billion in 2012, and the number of VC investee companies has increased from 298 in 2003 to 466 in 2012.
9. To provide small companies with even greater access to capital, the SC recently announced the introduction of MyULM, a framework for a virtual trading platform for unlisted companies. MyULM will enable small businesses to raise funds to finance their growth, thus preparing them for eventual listing either on the ACE market or the Main market of Bursa.
10. For companies that have reached a size appropriate for the public market, the ACE market, which now has 110 listed companies, provides them with a first avenue for listing. Successful ACE companies can then move on to the Main Market of Bursa Malaysia. Over the past four years 13 ACE companies have qualified and have been transferred to the Main Board.
11. The framework that is in place thus provides fundraising opportunities to ensure that small companies can continue grow. Yet, when we rank the over 900 companies listed on Bursa according to market capitalisation, we find that the bottom 50% of the list make up only 1.62% of Bursa's market capitalisation, while the top 10 companies account for a whopping 85%. There is thus tremendous room for companies on the lower half of the scale, the small to medium cap companies, to grow further with proper nurturing and good governance practices.
12. Increasingly larger-capitalised companies are taking Investor relations functions as a matter of business necessity. However, the need for investor relations cuts across all companies irrespective of size. Smaller companies typically do not get much research coverage and therefore have much to benefit from a well-managed IR function as this will help improve their profile and enable

them to get better coverage from analysts allowing them to expand their investor base.

13. The SC firmly believes in empowering investors by creating an environment that provides better information and tools for informed participation in the market. This is not just about promoting investment literacy but also access to information that investors need to make informed investment decisions. Effective communication and timely disclosure of relevant information in language that is easily understood rather than in verbose legalism as well as ethical and responsible conduct on the part of the Board and Management are therefore crucial. Of course, financial reporting and disclosures are also important means for companies to communicate their performance and prospects to investors. Often companies get adverse publicity when investors felt disadvantaged because of real or perceived inadequacies with respect to the scope, quality or timeliness of information provided.
14. The Malaysian Code on Corporate Governance 2012 focuses on clarifying the role of the board in providing leadership, enhancing board effectiveness through strengthening its composition and reinforcing its independence. The Code also encourages companies to put in place corporate disclosure policies that embody principles of good disclosure and transparency. Companies are encouraged to make public their commitment to respecting shareholders rights.
15. The SC will also continue to improve the regulatory framework to encourage greater transparency and information flow but it is ultimately the role of companies themselves to take investor relations beyond the black letter of regulations. We expect companies to complement our efforts by ensuring effective communication and fostering better investor relations.
16. Ensuring effective communications need not be a costly affair. The advent of information technology has brought down the costs and increased the convenience of undertaking IR initiatives. With changes in the demography of investors, today's investors are increasingly relying on the internet as the primary source of information. It is vital to ensure that the content of the company's webpages are current, accurate and comprehensive repository of relevant information on the company. It is envisaged that in this era of technology, asymmetry of information in the capital market can be balanced by easy access to accurate, relevant and timely information for investors to make informed decisions. Beyond the traditional website, social media also provides companies with a communications platform that is interactive and cuts across all levels of investors.

17. To be truly effective, investor relations programmes and those responsible for these initiatives, must have the full commitment and support of the Board and senior management. Properly used, the investor relations team will be the eyes and ears of the company in the market and will deliver valuable insight into market sentiment.

Conclusion

Ladies and Gentlemen

18. All stakeholders of the capital market, the SC included, would like to see greater informed participation in the market. While the SC develops policies to facilitate this, we hope to see companies playing their role by enhancing the effectiveness and quality of their communications with investors. As business activity and capital-raising become more globalised, it is imperative that good governance and the development of good relations with investors are undertaken by companies of all sizes.
19. I would like to take this opportunity to congratulate all the recipients of the various categories of the MIRA Award.

Thank you.