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Quarterly news bulletin of the Securities Commission Malaysia

It was an exciting quarter for Malaysia beginning with a new Prime Minister taking office in April. And within his first 100 days, the Prime Minister announced a number of significant measures to liberalise the Malaysian economy. The 30 per cent Bumiputera quota on equity ownership in 27 service sub-sectors was removed with immediate effect. The sub-sectors included the health and social services, tourism services, transport, business and the computer industry and related services. The legal profession was liberalised to allow up to five top international law firms with expertise in international Islamic finance to practise in Malaysia. In addition, nine new bank and insurance licences will be offered to world-class players in the financial sector from 2009–2011. The liberalisation of the services sector is being pursued to create a conducive environment to attract investments, technology and create higher-value employment opportunities.

Then in June, the Prime Minister announced more measures in a move to internationalise the capital market. This included liberalising ownership for the fund management and the stockbroking industry, and deregulating the *Foreign Investment Committee (FIC) Guidelines* in terms of equity ownership.

Malaysia's capital market broadly reflected global trends in the second quarter. The Kuala Lumpur Composite Index rose 21.6% and trading volume on the local exchange showed a steady uptrend between 1 April and 30 June. Average daily trading volume from for the second quarter has more than tripled to 1.7 billion (Q1 2009: 0.4 billion), buoyed by news of further liberalisation initiatives in the services and financial sectors.

Separately, Malaysia was also recognised as one of the top 10 countries in the world best able to survive the financial crisis by Servcorp International Business Confidence Survey 2009. The survey, which was conducted worldwide in April 2009, was commissioned to understand the current mood, business morale and impact the economic downturn has had on businesses around the world, and to identify which countries are surviving the crisis the best.

Chairman Zarinah Anwar received the prestigious Islamic finance award for "Most Outstanding Contribution to the Development of an Islamic Capital Market" held in conjunction with the London Sukuk Summit on 2–3 July 2009

In this issue

Liberalisation measures for the capital market

The Prime Minister announced a number of liberalisation measures to allow foreign players to invest in Malaysia and to use Malaysia as a base for their regional and international operations. The liberalisation measures are aimed at further strengthening Malaysia's position in fund management, unit trust and stockbroking industries, and enhancing the country's competitiveness as a destination for fund-raising and investments.

Highlights of the liberalisation measures

Foreign Investment Committee deregulation

- FIC Guidelines covering the acquisition of equity stakes, mergers and take-overs repealed with immediate effect.
- Companies seeking listing need only to offer half of 25% of public spread to Bumiputera investors to fulfill the NDP requirement.
- No equity condition imposed post IPO except in the case of reverse take-overs and back-door listing.
- FIC approval only required for properties above RM20 million.
- The threshold for purchase of properties by foreigners is increased to RM500,000.
  - Above the threshold, foreigners will no longer need to refer to FIC for the purchase of properties. State governments, however, maintain the right to impose additional conditions.

Fund management liberalisation

- 100% ownership in the wholesale segment of the fund management industry to allow for qualified and leading fund management companies to establish operations in Malaysia.
- 70% foreign shareholding limits for the unit trust management companies (from 49%).

Stockbroking liberalisation

- 70% foreign ownership shareholding limits in existing stockbroking companies (from 49%).

VISA application

- Securities Commission Malaysia (SC) and Bank Negara Malaysia will review all visa applications for the capital market and financial services industry respectively.

New investment institution established

- Ekuiti Nasional Bhd (Ekuinas) to be established with initial capital of RM500 million, eventually to be enlarged to RM10 billion fund.
- Ekuinas will focus its investments in high growth sectors, in supporting the New Economic Model.

SC and Bursa Malaysia launched new fund-raising framework and board structure

On 8 May, the SC and Bursa Malaysia jointly launched a new framework for listings and equity fund-raisings in one of the most comprehensive reforms to the country's capital market. The new framework entails the merging of Bursa Malaysia's Main Board and Second Board into a single board for established corporations known as "Main Market". In addition, the MESDAQ Market will be transformed into the "ACE Market", opened to companies of all sizes and from all economic sectors. The two new markets will be operational on 3 August 2009.

"This is by far the most robust process that we have undertaken in reviewing our regulatory approach," Chairman Zarinah Anwar said at the launching ceremony. In reviewing the framework, the SC and Bursa Malaysia held extensive consultations with the industry and the public by holding more than 300 brainstorming sessions and focus group discussions.

As part of efforts to inject both breadth and depth to the Malaysian capital market, the SC and Bursa Malaysia also introduced the listing of Special Purpose Acquisition Companies (SPACs), i.e. shell companies without operations that go public with the intention of merging with or acquiring operating companies or businesses with the proceeds of their IPO. The listing of SPACs will promote private equity activities, spurring corporate transformation and encouraging mergers and acquisitions.

The guidelines, and related FAQs, and the revamped listing requirements are available at www.sc.com.my and www.bursamalaysia.com respectively.

Malaysia, Singapore and Thailand first to implement ASEAN and Plus Standards Scheme

On 12 June, the SC together with securities regulators in Singapore and Thailand, implemented the ASEAN and Plus Standards Scheme for the cross-border offering of securities within ASEAN. Malaysia, Singapore and Thailand were the first three ASEAN countries to put the scheme into effect.

The scheme, developed by the ASEAN Capital Markets Forum, will facilitate multi-jurisdictional offerings of equity and debt securities in the region. Multi-jurisdictional offerings are the offering of securities by an issuer (who is either based in ASEAN or outside ASEAN) to more than one country within ASEAN.

The scheme enables issuers in Malaysia, Singapore and Thailand to comply with just one set of common disclosure standards (ASEAN Standards), with limited additional requirements prescribed by the respective jurisdictions (Plus Standards). Prior to this, issuers have to comply with different disclosure standards in the three markets.

The ASEAN Standards are based on the standards on cross-border offerings developed by the International Organizations of Securities Commissions (IOSCO). The standards also fully adopt the accounting and auditing standards of the International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA).

Cross-listing of foreign ETFs allowed in Malaysia

As part of its ongoing efforts to enhance the depth and breadth of the capital market, the SC issued the revised *Exchange-traded Funds Guidelines* (ETF Guidelines) to allow exchange-traded funds from recognised jurisdictions to be cross-listed on Bursa Malaysia.

Under the revised ETF Guidelines, a fund manager may seek secondary listing of a foreign ETF on Bursa Malaysia if it is from a recognised jurisdiction (as listed in the *Guidelines for the Offering, Marketing and Distribution of Foreign Funds*). It is also possible now to cross list a foreign ETF from a non-recognised jurisdiction with a regulatory regime comparable to Malaysia's.

World Capital Markets Symposium Kuala Lumpur, 10–11 August 2009

The SC will be organising the World Capital Markets Symposium which provides a platform for policy and decision makers from around the world's to discuss and formulate responses to the world's economic crisis. Some of the renowned personalities confirmed to speak at the forum include Nobel Laureate Paul Krugman; Economics Adviser to President Barack Obama, Dr Laura D'Andrea Tyson; and former International Monetary Fund (IMF) chief economist, Dr Raghuram Rajan.

For more information, please visit www.worldcapitalmarketssymposium.org

Enforcement news

SC Charges External Auditor for Inflated Profit

The SC charged a partner of an audit firm, Roger Yue, Tan & Associates for abetting United U-Li Corporation Bhd in submitting false information to Bursa Malaysia. The false information was in relation to the profit before tax declared by United U-Li Corporation to Bursa in its annual report and financial statements for the year ended 31 December 2004. Upon conviction the accused is liable to a fine not exceeding RM3 million or to imprisonment for a term not exceeding ten years or both.

Former Director of Aiwanna Manage Asset convicted for securities fraud

The Kuala Lumpur Sessions Court convicted a former director and fund manager of Aiwanna Manage Asset Sdn Bhd for securities fraud and sentenced him to a one-year imprisonment and a fine of RM3 million (in default three years imprisonment). The accused was charged in October 2005 for omitting to provide material facts to its client, Eastern Pacific Industrial Corporation Bhd in the statement of account.

SC charges two directors of listed company for misleading statements to stock exchange

The SC charged two former directors of MEMS Technology Bhd (MEMS) for knowingly authorising the provision of a misleading statement to Bursa Malaysia. Both men were released on bail of RM200,000 with two sureties each, on the condition their passports be surrendered to the Court. Upon conviction, both accused persons are liable to a fine not exceeding RM3 million or imprisonment for a term not exceeding 10 years, or both.

Exchange news

Bursa Malaysia offers multi-currency trading to widen investment options

Bursa Malaysia implemented its multi-currency securities framework that supports listing, trading, clearing and settlement of securities in non-ringgit. This new framework is able to support primary non-ringgit listings or cross-listings from other stock exchanges. Investors will find the new platform which can offer a range of non-ringgit listing and product options, effective in diversifying their investment portfolio especially those who are looking into foreign denominated assets. (Rules and FAQs at www.bursamalaysia.com)

Bursa Malaysia makes available market-making framework

Bursa Malaysia has made available its market-making framework for exchange-traded funds (ETFs) and structured warrants. In order to promote the growth of ETFs, Bursa Malaysia will be providing clearing fee incentives to market makers of ETFs until 31 December 2012. Through this framework, qualified foreign market makers can also market make from offshore centres without the need to set up offices in Malaysia. Eligible corporations can be admitted to become a market maker by registering with Bursa Malaysia.

Introducing the FTSE Bursa Malaysia KLCI

Bursa Malaysia's benchmark index, the Kuala Lumpur Composite Index (KLCI) is now FTSE Bursa Malaysia KLCI. The FTSE Bursa Malaysia KLCI will be free-float adjusted and liquidity-screened to give investors an investable and tradable index which remains the characteristic of the underlying market. Constituents of the FTSE Bursa Malaysia KLCI will comprise Bursa Malaysia's 30 largest eligible Main Board companies. The computation is based on investable market capitalisation.