

Capital • My

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Quarterly news bulletin of the Securities Commission Malaysia

Asia's head start in the recovery from last year's recession has attracted the highest inflow of emerging equity funds which surged to US\$80.3 billion in 2009, the highest inflow since 1997 of investment cash into the region.

Malaysia's capital market performance broadly reflected global trends in the fourth quarter and was supported by clearer signs of improvement in domestic demand conditions and better-than-expected GDP growth of -1.2% in the third quarter. The FTSE Bursa Malaysia KLCI index recorded a 45% rise for the year while the trading volume on the local stock exchange increased slightly to 0.91 billion.

The Malaysian bond market has shown its resilience as evidenced by 10% growth from RM585.6 billion in 2008 to reach RM644.1 billion in 2009. The corporate bond market which was sluggish in the first half of 2009 saw an upturn in the second half. The corporate bond market grew from RM282.5 billion as at end of December 2008 to reach RM301.5 billion as at end of December 2009. Positive growth was also reflected in the gross issuance of private debt securities and sukuk which amounted to RM61.3 billion in 2009 compared to RM50 billion recorded in 2008. It is noted that the presence of a deep and liquid bond market has also contributed towards the stability of the financial system.

The fund management industry continues to remain the fastest growing segment in our capital market. The net asset value (NAV) of unit trust funds increased by 2.3% to RM191.71 billion on 31 December from RM187.4 billion recorded at the end of Q3 2009. The total NAV represented 19.18% of Bursa Malaysia's market capitalisation.

The SC also approved fund-raising proposals amounting to RM33.98 billion of which 65% was for debt securities. One of the approvals granted was Maxis Bhd, the largest IPO in Southeast Asia.

On the international front, the SC continues to raise Malaysia's profile and leadership through participation in key international events such as the IOSCO Asia Pacific Regional Committee Enforcement meeting, IOSCO Emerging Markets Committee meeting, ASEAN Capital Markets Forum, ASEAN Bond Market Conference and other international capital markets events. The SC also signed two important agreements, a mutual recognition agreement (MRA) with its Hong Kong counterpart on cross-border offering of Islamic collective investment schemes and the India – Malaysia Capital Market Collaborative Agreement with the Securities and Exchange Board of India (SEBI) to further enhance capital market collaboration.

SC obtains milestone payout for investors involved in Swisscash scam

The SC has entered into the largest settlement in its history involving a sum of approximately RM31 million over the Swisscash Internet-based investment scam. Investors will now be able to receive part of their money following a consent judgement the SC entered with two Swisscash defendants Albert Lee and Amir Hassan. The scam affected thousands of investors globally and prompted cross-border investigations involving seven other jurisdictions. The restitution would be based on a court-sanctioned distribution plan and the first batch of restitution payments are expected to be made early this year.

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The Asian Bond Market Conference

The SC, Ministry of Finance and the Asian Development Bank co-hosted the Asian Bond Market Conference on 2–3 December 2009 themed “Gearing up Regulatory Framework and Regional Co-operation – for New Era of Growth in Asian Bond Markets”. The conference brought together Asian policymakers and bond market participants mainly from the ASEAN+3 countries to consider common regulatory standards and market practices to help booster the development of the Asian bond markets and facilitate cross-border transaction.

The conference which was officiated by the Malaysian Second Finance Minister, Dato’ Seri Ahmad Husni Mohamed Hanadzlah served as an important platform for the governments and the industry to deliberate and consider issues that are critical for the development of the primary and secondary bond markets in Asia.



Asian Bond Market Conference, 2 December 2009

Also speaking at the event were senior management from companies such as China National Association of Financial Market Institutional Investors, Japan Securities Dealers Association, Thailand Bond Market Association, Korea Financial Investment Association and Standard & Poor’s Singapore.

SC Chairs Regional Meeting to Discuss Cross-border Securities Offences

The SC hosted the International Organization of Securities Commissions (IOSCO) Asia-Pacific Regional Committee (APRC) Enforcement Directors’ meeting on 4 December 2009, aimed at sharing regulatory experiences and enforcement practices on a broad range of regulatory topics. The meeting also served as a platform to enhance co-operation among securities regulators to enable more effective detection and enforcement of securities offences across borders. The high-level meeting was attended by senior regulators from 11 jurisdictions within the Asia-Pacific region.

IOSCO is recognised as the leading international policy forum for securities regulators. The organisation’s membership regulates more than 95% of the world’s securities markets in over 100 jurisdictions.

SC-Bursa Lecture Series on Corporate Governance

The SC and Bursa jointly organised the first public lecture on corporate governance by Prof Low Chee Keong of the Chinese University of Hong Kong, on 16 December 2009. The lecture entitled, “Corporate Governance – Lessons From Hong Kong” was delivered by Prof CK Low at the SC where he shared his views on both Malaysia’s and Hong Kong’s progress, achievements and key areas of improvements in the area of corporate governance. Prof Low also acknowledged the SC’s role in educating shareholders about the market through the Securities Industry Development Corporation (SIDC) which conducts public investor education seminars on wise investing and investors’ rights.

Malaysia and India Sign Agreement to Enhance Capital Market Collaboration



Signing of the India-Malaysia Capital Market Collaborative Agreement between Securities Commission Malaysia and Securities and Exchange Board of India, 20 January 2009.

In conjunction with the Prime Minister of Malaysia’s official visit to India, the SC and Securities and Exchange Board of India (SEBI) signed the India-Malaysia Capital Market Collaborative Agreement in New Delhi on 20 January 2010 in the presence of the Prime Minister of India Dr Manmohan Singh and the Prime Minister of Malaysia Dato’ Sri Mohd Najib Tun Abdul Razak. Under the agreement, regulatory co-operation between the SC and SEBI will be strengthened including among others, examining the establishment of a framework for mutual recognition in key segments of the capital market to facilitate enhanced cross-border market oversight and exchange of technical knowledge. The SC and SEBI have a long established relationship with each other, building on from a Memorandum of Understanding that was signed in 2001.



Signing of the Memorandum of Understanding (MoU) between Bursa Malaysia Bhd and Bahrain Financial Exchange in Bahrain on 24 January 2010.

Islamic Capital Market

Bursa signs MoU with Bahrain Financial Exchange

Bursa Malaysia Bhd and Bahrain Financial Exchange (BFX) inked a Memorandum of Understanding (MoU) in Bahrain on 24 January 2010 to develop a commercial agreement between the two exchanges to provide financial products to Islamic market participants and strengthen the bilateral ties between both organisations. The collaboration also aims to increase awareness on investment opportunities in the respective Islamic markets and assist each other to develop the Islamic investment framework across multiple geographies. Among others, the MoU will involve a feasibility study to identify products and market channels for this market.

Bursa Suq Al-Sila, the world's first Shariah-compliant commodity trading platform was also awarded the 'Most Outstanding Islamic Finance Product' by KLIFF Islamic Finance Award 2009.

Malaysia and Hong Kong in landmark pact to develop Islamic capital market

The SC and the Securities and Futures Commission of Hong Kong signed a mutual recognition agreement (MRA) to further develop the Islamic capital market in particular, Islamic collective investment schemes (CIS) on 9 November 2009. The MRA represented a major milestone in achieving greater regulatory co-operation between the two parties as it will foster close regulation co-operation and help pave the way for deeper and broader Islamic investment markets in both jurisdictions. The agreement has also cleared the way for the development of a common platform for cross-border offering of Islamic CIS as Islamic products in both countries can now be marketed and distributed with minimal regulatory intervention. This is the second MRA to be signed by the SC following the previous MRA signed with Dubai Financial Services Authority in March 2007.



Signing of the Mutual Recognition Agreement between Securities Commission Malaysia and Securities and Futures Commission of Hong Kong, 9 November 2009.

Malaysia is world's top sukuk listing destination

Bursa Malaysia topped the world's exchanges in terms of value of sukuk programmed listings in 2009, recording a total of US\$17.6 billion. The exchange listed 12 sukuk by end of December 2009 despite the slowdown in trading activities and issuance in the year. This achievement is reflective of Malaysia's significance and lead position in the world of Islamic capital markets. Malaysia has over 30 years of experience in Islamic finance and is the world's largest sukuk origination centre driven largely by an investor-friendly regime, as well as robust regulatory and Shari'ah framework propelled by heightened promotional efforts under the Malaysia International Islamic Financial Centre (MIFC) initiative.

MIFC Korea Islamic Capital Market Conference 2009

The Korea Exchange (KRX) and Bursa Malaysia jointly hosted the inaugural KRX-Bursa Malaysia Islamic Capital Market Conference on 19 November 2009 in Seoul, Korea. The conference was co-organised in support of the MIFC initiative and aimed to share Malaysia's Islamic finance experience and promote the opportunities in the Malaysia Islamic capital market landscape to discerning Korean investors and issuers. The conference attracted more than 200 participants comprising Korean investment bankers, advisers, issuers and institutional investors.

Market Developments

Bursa Malaysia introduces Direct Market Access for equities market

Direct Market Access (DMA) for the equities market which is aimed to enhance trading efficiency and accessibility for market participants was launched on 9 November 2010. Market participants in the equity market will now have greater connectivity and more control of their orders via the DMA infrastructure. With the complete DMA infrastructure in place for both the equities and derivatives market, Bursa is able to attract a new segment of trading participation and remain globally competitive. For more information, please visit www.bursamalaysia.com.

SC grants new licences to Goldman Sachs and Citigroup

As part of Malaysia's gradual financial sector liberalisation, the SC has granted Citigroup a stockbroking licence to establish a brokerage firm to further compliment its existing banking services in Malaysia. The SC also granted Goldman Sachs a fund management and corporate finance licence to offer onshore fund management and corporate advisory services.

Enforcement News

During the fourth quarter, the SC was successful in securing convictions for a range of breaches of the securities laws.

Individual fined in Kiara Emas fund misappropriation case

On 10 November 2009, Dato' Tan Hooi Chong was fined by the Sessions Court for abetting Kiara Emas Asia Industries Bhd in the misappropriation of the rights issues proceeds amounting to RM16,937,739.20 between 16 December 1996 and 31 December 1996 for his personal benefit. Following the guilty plea for the first charge to offences under section 32(6) of the *Securities Commission Act 1993* (SCA) read together with section 40 and section 109 of the *Penal Code*, the Sessions Court fined Tan RM600,000.

In addition to the accused, the Sessions Court will commence prosecution in January 2010 against two other accused persons involved in the case.

Former FTEC Resources MD ordered to restitute RM2.5 mil in IPO funds

On 11 November 2009, the SC scored another milestone in its relentless efforts to enhance corporate governance among public-listed companies with a landmark ruling by the Court ordering Kenneth Vun @ Vun Yun Liun, the former managing director and shareholder of FTEC Resources Bhd (FRB) to restitute RM2.496 million which he utilised for his personal benefit to FRB.

The civil action was brought under section 100 of the *Securities Industries Act 1983*, which allows the courts to make a restitution order upon application by the SC when it approved the listing of FRB. This is the first time ever a company director has been ordered by the court to restitute company funds.

Upcoming event: SC-OCIS Forum, March 16

The SC and Oxford Centre of Islamic Studies (OCIS) will jointly organise the SC-OCIS Forum themed "Contribution of Islamic Finance to the Post Global Financial Crisis" on 16 March 2010 at the Securities Commission Malaysia, Kuala Lumpur. The forum will provide an international platform for robust debate and dialogue on topical issues faced in bringing Islamic finance into the mainstream. For further information, please contact Ms Azyan at tel.no: (603)-6204 8026 or Ms Maria at tel.no: (603)-6204 8028 or email to sc-oxcisroundtable@seccom.com.my.