

Capital My

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Quarterly news bulletin of the Securities Commission Malaysia

Executive Summary

The Malaysian capital market remained resilient in the first half of 2010 despite global trends and developments. The announcement of the New Economic Model in March, upward revision in the 2010 growth forecast and the 10th Malaysia Plan (10MP) launched in June, were received positively by investors and were seen to sustain market sentiment. The FTSE Bursa Malaysia KLCI index (FBMKLCI) only fell slightly for the quarter (-0.2%) compared to its regional peers which fell an average of 3.0%.

A total of RM10.7 billion is expected to be raised from the capital market through initial public offerings (IPOs), private debt securities and sukuk issuances approved in the second quarter of this year.

The Securities Commission Malaysia (SC) has approved three IPOs this quarter, bringing the number of IPOs approved in the first six months of the year to 13. The three approved IPOs, which include one China-based company, are expected to have a combined market capitalisation of RM888 million. Higher interest was also seen in the bond market where 12 RM-denominated private debt securities proposals were approved this quarter with amount to be raised totaling RM10.5 billion.

Malaysia joined 10 other countries as approved investment destinations under China's QDII scheme administered by the China Banking Regulatory Commission (CBRC), following the signing of Letters of Exchange on 23 June between the SC and the CBRC.

With Malaysia as an approved QDII investment destination, and China as Malaysia's first trading partner, it is foreseeable that there will be potential inflows of Chinese funds into the Malaysian capital market. The sectors which Chinese investors could be interested in are listed resource-based companies, commodity derivatives, Islamic products and investment funds.

The standard of Malaysia's corporate governance is expected to be further strengthened with a new blueprint on corporate governance. The SC Chairman Tan Sri Zarinah Anwar at the annual CG Week in June announced the commencement of work on this document with specific and measured deliverables that will chart an action plan for the next five years. It will cover strategic priorities from board governance to active shareholder participation.

On the international front, the SC Chairman was re-elected for a two-year term as the Vice-Chairman of the IOSCO Emerging Markets Committee at the 35th Annual Conference of the International Organization of Securities Commissions (IOSCO) held in Montreal, Canada from 6–10 June. The SC had participated in the IOSCO meetings as well as the ASEAN Finance Ministers and ASEAN Finance and Central Bank Deputies meetings.

Malaysia is world's 10th most competitive country

Malaysia was ranked the world's 10th most competitive nation by Switzerland-based IMD World's Competitive Yearbook for 2010, an improvement from its 18th placing last year. In the first 10 places, Australia (5), Taiwan (8) and Malaysia (10) also benefit from strong demand in Asia, as well as the implementation of efficient policies as reflected by the three nations' strong ranking in government efficiency.

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Propelling Malaysia towards a high-income and high-productivity economy

The 10th Malaysia Plan (10MP) was launched by the Prime Minister Datuk Seri Najib Tun Razak on 10 June 2010 with the aim of propelling the country towards becoming a high-income and high-productivity economy. The plan targets to increase the gross national income per capita to RM38,850 (US\$12,140) in 2015 which requires the GDP to grow at 6 per cent per annum.

Some of the new efforts introduced in the 10MP focusing on the capital market are as follows:

- Improvement of competitiveness and growth of domestic economy through the (i) implementation of competition law, (ii) removal of distortionary price controls, (iii) advancing services sector liberalisation.
- Greater trade promotion, regional connectivity and regional trade integration achieved by (i) facilitating cross-border collaboration, (ii) assist in opening new markets, (iii) nurturing regional champions.
- Skills development, promoting development of concentrated industrial clusters, and investment into enablers of innovation, particularly R&D and venture capital funding is an area highlighted.
- Smart partnerships. These include catalysing and accelerating strategic private investments; partnering to advance industry and economic development; and collaborating to support public delivery and social development.
- Improving the method of financing for public venture capital companies. For this purpose, the Mudharabah Innovation Fund (MIF), with an allocation of RM500 million, will be introduced to provide risk capital to government venture capital companies. To bridge the financing gap between the early stage of commercialisation and venture capital financing for high tech products, the Government will set up a Business Growth Fund with an initial allocation of RM150 million.
- Additional measures in the 10MP are Initiatives such as feed-in-tariff to help finance renewable energy investments; fiscal funding for green technology investments; and promoting eco-tourism and projects eligible for carbon credits.

Malaysia, an approved destination for China's Qualified Domestic Institutional Investors

On 23 June 2010, the SC and the China Banking Regulatory Commission (CBRC) signed Letters of Exchange on regulatory co-operation relating to overseas wealth management business of China's commercial banks on behalf of their clients. Following this, Malaysia joined 10 other countries as approved investment destinations under China's Qualified Domestic Institutional Investors (QDII) scheme administered by the CBRC. China's securities regulator, China Securities Regulatory Commission (CSRC), had also confirmed that the existing memorandum of understanding signed on 18 April 1997 with the SC was sufficient to allow for investments under the QDII programme administered by the CSRC.



Signing of the Letters of Exchange between SC and CBRC, 23 June 2010.

The QDII programme allows Chinese nationals to invest in overseas markets through approved institutions in a prescribed manner. Approved institutions regulated by CBRC and CSRC may now invest funds pooled from their clients into Malaysian securities, including equities, fixed-income products, and collective investment schemes approved by the SC. These institutions may also engage the services of licensed Malaysian fund managers to assist with QDII investment matters.

Malaysia and Turkey to enhance co-operation in capital market regulation

The SC signed a Memorandum of Understanding (MoU) with the Capital Markets Board of Turkey (CMB) on 20 April, paving the way for closer regulatory collaboration between the two capital market regulators.

The SC Chairman and the CMB Chairman, Dr Vedat Akgiray signed the MoU in Kuala Lumpur. Under the MoU, the SC and CMB will exchange information to facilitate the supervision and enforcement of their respective capital markets, exchange technical knowledge and collaborate in areas of mutual interest.

Islamic Capital Market

Malaysia's Royal Award for Islamic Finance

Malaysia's global search to recognise and honour the outstanding contribution of an exceptional individual in Islamic finance has received royal endorsement. Upon the recommendation of the Malaysian Government, His Majesty the Yang di-Pertuan Agong of Malaysia, has given his consent for the Award to be named "The Royal Award for Islamic Finance".

The royal endorsement will certainly add prestige to the Award, which is spearheaded by the Malaysia International Islamic Financial Centre (MIFC) initiative. A special taskforce, headed by the SC Chairman, has been established to spearhead the implementation of this effort.

Unlike the commercial awards that are based on deals, this Award is unique as it focuses on the individuals' record of achievement and outstanding contribution towards the development and advancement of Islamic finance globally.

For more information, please visit www.mifc.com.my.

88% of listed securities on Bursa Malaysia are Shariah compliant

On 31 May 2010, the SC released an updated list of Shariah-compliant securities listed on Bursa Malaysia. The updated list features a total of 847 securities which are classified by the SAC as Shariah-compliant securities. These counters constitute 88% of the listed securities on Bursa Malaysia. The list includes 12 newly classified Shariah-compliant securities and excludes four securities which were included in the previous list issued in November 2009.

The full list of Shariah-compliant securities is updated twice a year and is now available on the SC website at www.sc.com.my. The next updated list will be available in November.

Corporate Governance

SC hosts OECD Asian Roundtable on Corporate Governance

The SC hosted the Working Group Meeting of the OECD Asian Roundtable on Corporate Governance (ARCG) in Kuala Lumpur on 25–26 May. The ARCG is an initiative of the OECD in partnership with the Government of Japan to support decision-makers in their efforts to improve corporate governance in Asia.

Senior policy makers and market practitioners from Asian countries, multilateral agencies and regional associations discussed strategies in developing a new roadmap for Asia's corporate governance landscape, the implementation of the recommendations contained in OECD's 2003 White Paper on Corporate Governance, its challenges as well as enhancing corporate governance in the region. They also reviewed existing efforts in corporate governance in the region since the establishment of the ARCG in 1999.

The meeting was attended by delegates from Bangladesh, China, France, Hong Kong, India, Indonesia, Malaysia, Pakistan, Singapore, the Philippines, Taiwan, Thailand and Vietnam and the OECD.

The observers include representatives from the World Bank, the Asian Development Bank, the International Corporate Governance Network, the Asian Corporate Governance Association, Malaysia's Minority Shareholders Watchdog Group and eStandards Forum.



Working group meeting, OECD Asian Roundtable, 25 May 2010.

Working towards Corporate Governance excellence among listed companies

The SC and Bursa Malaysia hosted the annual Corporate Governance Week (CG Week) themed “Towards Corporate Governance Excellence” from 28 June to 2 July to further promote good corporate governance practices among public listed companies (PLCs).

The 2010 CG Week, the second in the series, provided a major platform for regulators and capital market practitioners to deliberate on various key CG issues such as the evolving roles of boards, effectiveness of independent directors, boardroom quality, board oversight over management and risk management. The CG Week featured many prominent CG experts and speakers from Malaysia, Hong Kong and Singapore.

Market Development

SC amends guidelines to facilitate multi-class structure for unit trust funds

The SC has amended the Guidelines on Unit Trust Funds (GUTF) to facilitate a multi-class structure for unit trust funds, giving investors more flexibility as well as helping the growth of cross-border offerings of Malaysian unit trusts.

With the amendments, which took effect on 1 June 2010, a single unit trust fund will now be able to offer multiple classes of units over a single investment pool, with each class of units having different features such as the fees and charges imposed and the currency in which it is denominated.

As such, investors will be able to choose the class that best suit their preferences and investment objectives. The amendments are also envisaged to facilitate the growth of cross-border offerings of Malaysian unit trust funds under the Mutual Recognition Agreements (MRAs) which the SC has signed with the Dubai International Financial Centre and Hong Kong. Investors holding foreign currencies can now invest directly into a class of units denominated in that foreign currency as opposed to converting their investment sum into Ringgit Malaysia. Further details of the amendments are available on www.sc.com.my.

Upcoming Events

World Capital Markets Symposium 2010

The SC will host the second World Capital Markets Symposium (WCMS) on 27 and 28 September 2010 in Kuala Lumpur, Malaysia, which is themed “Transforming Capital Markets: Leadership, Change and Governance.” For more information and to register your interest to participate, please visit www.worldcapitalmarketsymposium.org.

GIFF 2010

The second Global Islamic Finance Forum (GIFF) which is themed “Islamic Finance: Opportunities for Tomorrow” will be held from 25 to 28 October 2010 in Kuala Lumpur, Malaysia. For more information, please visit www.giff2010.com

Enforcement

Australian investors in Cambridge Capital to be restituted following SC's cross border investigations

On the 28 April, the Kuala Lumpur High Court ordered the restitution of RM2.2 million to 14 Australian investors who were defrauded in an investment scam by Cambridge Capital Trading. The High Court ordered that the monies that were frozen under section 61(3) of the *Anti-Money Laundering and Anti-Terrorism Financing Act 2001* be released to the 14 investors.

Kenmark: SC gets injunction against Ishak

On 16 June, the SC obtained an ex-parte injunction to refrain Dato' Ishak Ismail from dealing with RM10.2 million, being proceeds from his disposal of approximately 58.7 million shares of Kenmark Industrial Co. (M) Bhd. The injunction was sought following investigations into suspected breaches of the securities laws by Dato' Ishak as well as Kenmark's previous board, management and key shareholders.

For more enforcement news, please visit www.sc.com.my.