

Capital•My

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Quarterly news bulletin of the Securities Commission Malaysia

Highlights

Global equities rebounded in the third quarter on renewed optimism over global economic recovery prospects. Malaysia's equity market continues to be a safe haven due to its relatively low volatility and reasonable returns reflecting the maturity of the capital markets. Improved investor sentiment is likely to be sustained on Malaysia's long-term growth prospects given the government's commitment to economic and policy reforms.

Malaysia's economy rebounded in 2010, in line with an upturn on regional growth. Real GDP grew by 10.1% in the first quarter and 8.9% in the second quarter. Overall annualised growth for the first half of the year was 9.5% compared to -5.1% for the corresponding period on 2009.

The FTSE Bursa Malaysia KLCI (FBMKLCI) index rose 11.4% for the quarter and closed at 1,475.99 points on 21 September, its highest level since February 2008. It was supported by better-than-expected Q2 2010 corporate earnings and optimism over economic reforms.

The total gross issuance of corporate bonds and sukuk amounted to RM13.9 billion in the third quarter. Private sector funding for infrastructure sector contributed to RM5.9 billion or 42% of total gross issuance of corporate bonds and sukuk.

The SC approved fund-raising proposals amounting to RM18.16 billion of which 89% was for debt securities. There were five listing proposals with a total potential market capitalisation worth RM7.76 billion. In addition, there were six offers for take-overs valued at RM9.98 billion.

The net asset value (NAV) of unit trust funds increased to RM222.75 billion on 30 September from RM207.11 billion recorded at the end of Q2 2010. The total NAV represented 19.37% of Bursa Malaysia's market capitalisation.

On the international front, Malaysia continued to gain global recognition as a well regulated capital market as FTSE upgraded Malaysia to advanced emerging markets status within FTSE's Global Equity Index Series from June 2011.

The SC once again brought to Asia many notable speakers and prominent thought leaders in finance and leadership who spoke at the second edition of the World Capital Markets Symposium. Themed "Transforming Capital Markets - Leadership, Change and Governance", the Symposium was held on 27 and 28 September in Kuala Lumpur.

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World Capital Markets Symposium 2010

- 'Malaysia's financial sector, which has grown to generate around 12% of GDP annually, has become one of the most developed financial markets in the world, ranking higher than Thailand and Korea and just behind Italy in the World Economic Forum's 2009 Financial Development Report.'

*RGE Monitor: Malaysia hosts World Capital Markets Symposium,
28 September 2010*

- 'Malaysia has actually accelerated some of their liberalisation. Some of the capital effects of capital account liberalisation are now occurring; there has been more use of ringgit by domestic and foreign presence being allowed. There has also been opening of foreign direct investment (FDI) into Malaysia.'

*CNBC interview with Dr Nouriel Roubini,
27 September 2010*

Malaysia hosts the second World Capital Markets Symposium

The SC hosted the second edition of the World Capital Markets Symposium (WCMS) themed “Transforming Capital Markets – Leadership, Change and Governance” on 27 and 28 September in Kuala Lumpur. The Deputy Prime Minister of Malaysia delivered the Prime Minister’s keynote address. Other prominent speakers and thought leaders in finance and leadership who spoke at the Symposium included the Minister of Finance II Malaysia, YB Dato’ Seri Ahmad Husni Hanadzlah; Dr Nouriel Roubini, Professor of Economics and International Business, Stern School of Business, New York University; the architect of India’s reform programme HE Dr Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission of India; HE Haruhiko Kuroda, President of the Asian Development Bank; Jimmy Wales, Founder of Wikipedia; and legendary venture capitalist Timothy Draper, Founder and Managing Director of Draper Fisher Jurvetson. It also featured policy makers, regulators and captains of industry.



The Symposium provided participants with varied perspectives and insights into the economic outlook and topical issues on leadership and governance. In conjunction with WCMS, the SC organised several speaker roundtables with selected Malaysian financial leaders and policy makers. In collaboration with the Multimedia Development Corporation (MDeC), Jimmy Wales visited the Malaysian Multimedia University to share his vision and knowledge with a wider audience of young Malaysian technopreneurs and students in line with the Government’s focus to transform Malaysia into a knowledge-based economy.

The Symposium received substantive feedback on the intellectual content, format and organisation of the Symposium. The two-day event was extensively covered by international media such as the BBC, CNBC, Bloomberg, Reuters, Dow Jones, the Financial Times and The Economic Times India.

Capital Market Forum 2010

On 5 August, the SC, in collaboration with the Malaysia China Friendship Association, organised the Capital Market Forum 2010. The forum offered intermediaries from China and Malaysia the opportunity to better understand both capital markets following the signing of Letters of Exchange between the SC and the China Banking Regulatory Commission (CBRC) on 23 June which recognised Malaysia as an approved investment destination under China’s Qualified Domestic Institutional Investor (QDII) scheme administered by the CBRC. The forum was well attended with participation from Chinese fund managers and custodian banks, representatives of the China Securities Regulatory Commission, CBRC and Malaysian capital market intermediaries.

International recognition of Malaysia’s well-regulated capital market

The SC, on 23 September, welcomed the announcement by FTSE to upgrade Malaysia to advanced emerging markets status from secondary emerging markets within FTSE’s Global Equity Index Series from June 2011. The move underlined the global recognition of the Malaysian capital market and could lead to greater international participation in the Malaysian market.

The confidence in Malaysia’s regulatory framework and efforts to enhance governance is also reflected in two recent development:

- The US Commodity and Futures Trading Commission (CTFC) allowed Malaysian futures brokers to solicit orders and transact directly with US customers without being registered with the US regulator; and
- Recognition of Malaysia as an authorised market for Chinese investors under the Chinese Qualified Domestic Institutional Investor (QDII) scheme.

Malaysia's 2011 Budget Highlights

The 2011 Budget themed “Transformation Towards a Developed and High-Income Nation” was unveiled by the Prime Minister of Malaysia on 15 October 2010. Among the measures announced to revitalise the Malaysian capital market and strengthen Malaysia's position as a premier Islamic capital market are:

Revitalising efforts for the Malaysian capital market

- Divestment of government-linked investment companies (GLICs) shareholdings in major companies listed on Bursa Malaysia as well as be allowed to increase investment in overseas markets. The Employees Provident Funds' investment overseas, which is currently at 7% of the total assets managed will be raised to 20%;
- Listing of Petronas Chemicals Sdn Bhd and Malaysia Marine & Heavy Engineering Sdn Bhd;
- Launch of sukuk and conventional bonds by Bursa Malaysia to meet retail investors' demand for fixed income instruments in order to boost the bond market;
- Issue of three new stock broking licences to eligible local, foreign or joint venture companies to increase retail market participation;
- The SC will facilitate process and procedures for the listing of companies and products, particularly exchange-traded funds.

Islamic capital market

- An international board to enable foreign securities to be listed including Shariah-compliant products will be developed by Bursa Malaysia.
- Tax deduction for expenses related to the issuance of Islamic securities which adopt the principles of *murabahah* and *bai' bithaman ajil* based on *tawarru'*. Incentive will be until 2015.
- Double tax deduction for takaful contributions for export credit.

Venture Capital

- MTDC will host an International Venture Capital Symposium in 2011 to enable networking and partnering of foreign and local venture capitalists for high technology industries.

Private Pension Fund

- A private pension fund framework will be launched by the end of 2011.

Islamic Capital Market

Capacity Building and Promotion of Islamic Capital Market

On 1 July, the SC hosted the 4th International Islamic Capital Market Forum (IICMF) themed “Sukuk: Transferring the Best Practices”. The IICMF addressed a wide range of issues affecting the growth and development of sukuk globally. Renowned practitioners and Shariah scholars from both local and international markets shared their thoughts and experiences.

The SC also organised the 5th Islamic Markets Programme from 4 to 9 July. The event, themed “Gearing Up to Meet Future Challenges”, served as an important platform for the discussion of topics related to Islamic finance and capital market. The five-day IMP saw the participation of more than 30 delegates from 14 countries.

Market Development

Introduction of e-Share Payment

On 17 August, the SC, Bank Negara Malaysia and Bursa Malaysia introduced the electronic share payment facility for share transactions in a further move to promote the use of e-payments in the stock market. Together with the e-Dividend initiative launched in April this year, the e-Share Payment initiative marks another effort towards enhancing efficiency in the payment and settlement systems within the capital market.

Corporate Governance

SC names members of the International Corporate Governance Consultative Committee

The SC announced on 26 August, the members of a high-level committee which will provide strategic direction, views and advice to the SC in the development of a new five-year corporate governance blueprint outlining an action plan to further raise the standards of corporate governance in Malaysia.

The International Corporate Governance Consultative Committee (ICGCC), chaired by the SC Chairman Tan Sri Zarinah Anwar, comprises 11 senior industry participants and experienced professionals from Malaysia and abroad. The ICGCC will provide views on corporate governance developments and trend and advise on key focus areas and policy recommendations on the blueprint, which will outline various initiatives and recommendations to be implemented between 2011 and 2015.

AOB Accepted into International Forum of Independent Audit Regulators

On 21 September, the Audit Oversight Board (AOB) was admitted as a member of the International Forum of Independent Audit Regulators (IFIAR) making Malaysia only the second country from ASEAN to be admitted. The AOB's admittance as a member of IFIAR reflects the recognition of the AOB as a well-structured, independent audit regulator on par with agencies from other jurisdictions.

Enforcement

Illegal fund manager jailed for four years over internet investment scam

On 9 July, the Kuala Lumpur Sessions Court sentenced businessman Phazaluddin Abu, 49, to four years in jail after he was convicted of operating an online investment scam without holding a fund manager's licence.

He is the first person in the country to be convicted of operating an illegal online investment scam, after the SC's investigations found that he had raised RM65 million from 52,000 investors in 2007 via a website which claimed to have been an asset management and investment group.

Upcoming Events

Asean Finance Ministers' Investor Seminar

The Ministry of Finance, Malaysia and the SC will host the Asean Finance Ministers' Investor Seminar (AFMIS) on 30 November 2010 at the Shangri-La Hotel, Kuala Lumpur, Malaysia. The event is by invitation only.

SC revokes SJ Asset Management licence, appoints provisional liquidators

The SC revoked SJ Asset Management Sdn Bhd's (SJAM) licence to undertake fund management activities on 8 July. The move, which took immediate effect, came after the SC found that SJAM had breached regulatory requirements in relation to the safeguarding of clients' assets and the company had engaged in deceitful and improper business practices. The SC also found that SJAM had furnished false and misleading information and documents to the regulator.