



**Keynote Address**  
**by**  
**Datuk Ranjit Ajit Singh**  
**Chairman, Securities Commission Malaysia**  
**at**  
**The 17<sup>th</sup> Malaysian Capital Market Summit**  
**29<sup>th</sup> October 2012 – The Royale Chulan, Kuala Lumpur**

Mr. Mirzan Mahathir, President of ASLI  
Tan Sri Michael Yeoh, Chief Executive Officer, ASLI  
Excellencies, Distinguished guests  
Members of the media  
Ladies and gentlemen

Good morning.

1. I would like to thank ASLI for inviting me to deliver the keynote address at the Malaysian Capital Market Summit. In its 17<sup>th</sup> edition, this summit has proven to be a productive platform for the flow of ideas amongst thought leaders and industry participants each year and I am delighted to have the opportunity to share some of my views with you this morning on our capital market.
2. The theme for this year's summit, "Malaysia The Rising Star – Geared for Growth", is indeed fitting, seeing as how 2012 has been a strong year for the Malaysian capital market. The size of our capital market grew by 14% from RM2.1 trillion as at the end of 2011 to RM2.4 trillion at the end of September this year. The equity market has seen the

listing of 12 companies to date, raising a combined amount of RM22 billion, underpinned by the listings of Felda Global Ventures, Integrated Healthcare and Astro Malaysia.

3. Even more notable has been our bond market, which achieved a record year in bond issuances, with funds raised totaling RM100 billion up to end of September 2012, surpassing 2011's record total issuances of RM70 billion. The issuance of PLUS Berhad's RM30 billion sukuk at the beginning of this year marks a significant milestone as it represents the single largest sukuk issuance globally. As at end of September 2012, the total amount of bonds outstanding stood at close to RM980 billion, compared to RM841 billion as at the end of last year, reflecting the continued growth of the bond market. Malaysia is today, the 3<sup>rd</sup> largest local currency bond market in Asia.
4. Our unit trust industry has continued to grow steadily, with net asset value (NAV) increasing from RM249 billion as at 31 December 2011 to RM291 billion as at 30 September 2012, reflecting the industry's continued importance as a driver in mobilising public savings into the capital market.
5. Today, Malaysia remains at the forefront of the sukuk market, accounting for 68.5% of global sukuk outstanding, making us a leader in Islamic finance. Over the period of the first Capital Market Masterplan, which was from 2000 and 2010, the size of our Islamic capital market more than tripled in value to RM1.05 trillion. Shariah-compliant securities listed on Bursa Malaysia had a market capitalisation of RM883.8 billion as at the end of September 2012, representing 64% of the total market capitalisation.
6. The strong performance of the Malaysian capital market stands out against this backdrop of uncertain and relatively weak global market

conditions. The success and resilience of our market is the culmination of structured and directed efforts to build the ecosystem and connect all its key components. Two of these key components are a solid and effective regulatory framework and market liquidity.

7. The regulatory framework has been continuously improved to ensure that it is facilitative yet effective - a delicate balancing act. The first Capital Market Masterplan provided a nucleus around which we built a framework that specifically met the needs of the Malaysian capital market. We adopted a pragmatic and sequenced stance with gradual liberalisation. Some felt that an accelerated approach was the preferred path. However, with the Global Financial Crisis and a host of other misadventures in other markets, it has now become clearly apparent that overly aggressive and sometimes premature liberalisation of markets can have adverse consequences.
8. The SC believes that the quality of the market and the high standards of conduct of its participants cannot be compromised. The growth of our market must not be fuelled by a loosening of standards but instead by an increase in value propositions. After all, there is no market if there are no investors.
9. The deep liquidity in our markets is a product of both high savings rates and the strengthening of our investment institutions. The capital market has been able to draw on this liquidity because of the confidence it engenders. This has led to more diverse sources of financing for the domestic economy and has reduced reliance on external financing. Investor confidence comes with faith that the system will protect investors and uphold their rights coupled with trust in the stewards of their investments.

10. In the 2013 edition of the World Bank's "Doing Business Report", Malaysia was ranked the 12th most competitive economy in the world for doing business, up from 18th place last year. However, when it comes to investor protection, Malaysia ranks even higher, at 4th place. The report also places us amongst the top ten reformers in the APEC grouping with regard to regulatory practices. Malaysia also shares 4th place with Japan in the Asian Corporate Governance Association's 'Corporate Governance Watch 2012 Report', up two positions from its 2010 placing. A major overhaul of the corporate governance code by the SC was pivotal to the enhanced ranking. Such recognition continues to build investor confidence in the market and attract capital. This is particularly important in a world where investors have become more discerning about the standards of corporate governance and the quality of the senior management of companies they invest in.

Ladies and gentlemen,

11. We must continue to strive to ensure that our capital market continues to remain relevant, dynamic and efficient in performing its key roles of enabling efficient capital formation, providing investment opportunities and facilitating risk transfers. It is imperative for the capital market to be able to capitalise on the opportunities that exist as well as create new opportunities. The SC is committed to facilitating, and where necessary, leading this effort which must also give due attention to strengthening the capital formation process. The Capital Market Masterplan 2 sets the tone for the future of our capital market and its implementation is designed to capture the dynamic nature of the changing environment.

*Opportunities for the Malaysian Capital Market*

12. The growing sophistication of our market has resulted in varied financing needs and investment risk appetites. This presents further opportunities

for growth. In 2008, we recognised that there was a need for a vehicle to promote private equity activity, spur corporate transformation and encourage mergers and acquisitions to enhance the depth, breadth and competitiveness of the market. This led to the creation of a framework for Special Purpose Acquisition Companies or SPACs, with Malaysia being one of the few jurisdictions in Asia having a formal framework for such structures. There is also now increasing investor appetite for investments that provide steady streams of returns from the cash flows of assets. At the same time, issuers are looking for ways to monetise their assets yet still maintain control over them. Given this, the SC is in the process of creating a framework for business trusts. We remain conscious that any new framework must be accompanied by the necessary safeguard for the protection of investors. As such, provisions have been incorporated in the Capital Markets and Services Act 2007 for this purpose.

13. We must not fail to remember the reason why capital markets exist. As I pointed out earlier, capital formation is one of the fundamental purposes of the capital market. Today, there is a high degree of emphasis placed on supporting the New Economy. However, we must not ignore the traditional sectors whose importance remain undiminished, if not gaining prominence again. Concerns over food security globally points clearly towards how vital the agricultural sector is. In order to help facilitate the flow of capital to this sector, the SC is working with the industry towards introducing an integrated framework for unlisted agricultural managed investment schemes and tax incentivised agricultural sukuk, providing latitude for issuers to optimise their cost of capital. Such managed investment schemes are suitable for sophisticated investors and commercial users who are equipped to invest in structures that do not rely on a secondary market and have limited redemption features. The integrated framework will also provide opportunities for Shariah based

investing while helping Malaysia's agricultural sector expand domestically and internationally.

14. The SC also continues to develop areas where capital formation can be made more inclusive. Take our bond market as an example. While it has been very successful, access has been confined to institutional investors and other sophisticated investors. By broadening the investor base to allow retail investors to invest in bonds and sukuk, issuers will be provided with an additional source of funding while retail investors will have access to another asset class. The SC launched a framework last month to allow retail investors to participate in the ringgit bond and sukuk market. Under the retail bond framework, retail investors will initially be able to invest in bonds and sukuk issued or guaranteed by the Malaysian Government. The RM 300 million retail tranche of Danainfra's upcoming bond provides an opportunity for retail investors to invest in an infrastructure development that will affect their daily lives as well as gain experience in investing in this asset class directly. In the next phase, retail investors' access to bonds and sukuk will be expanded to include issuances by public listed companies and banks, for which guidelines and regulations will be announced in the first quarter of 2013. This phased approach will provide retail investors time to gain the necessary understanding and familiarity with investing and trading in bonds and sukuk. We recognize that retail bonds will not be part of the investment portfolio of every investor; nor would every issuer find it cost effective, given their circumstances, to tap the retail segment. However, the point is for all investors and issuers to have a choice because the avenue is available.
15. Small and medium enterprises (SMEs) continue to form the backbone of many economies, including ours. The reality is, however, that financing - particularly equity financing- is challenging for these businesses. As such, there is a need to support SMEs by improving their access to

capital when they are not listed or are not ready to be listed. Some SMEs may become future corporate giants but need to be given the opportunity to grow to that size. To help alleviate this situation, the SC will create a conducive environment and safe harbour for SMEs to raise funds via the establishment of a trading venue for securities of unlisted companies. Such a platform will bring together entrepreneurs seeking growth capital and investors who have the appetite for such investments with lower costs and better connectivity of users and providers of capital. The venue will also provide a platform to encourage mergers and acquisitions through better information flow. The relevance of such alternative trading venues should not be underestimated. In some parts of the world over a third of trading is transacted off stock exchanges, illustrating the growing importance of alternative venues and platforms.

#### *Regional growth*

16. Ladies and gentlemen, there is no doubt that the capital market will continue to be an important driver for domestic economic growth. However, in order for the capital market to remain efficient and effective, it must continue to build economies of scale. This can be achieved through greater internationalisation. We must continue to pursue opportunities to enhance our position and competitiveness globally. This entails attracting not just foreign issuers but also foreign capital. Both must be welcome but we must remain vigilant in ensuring that the same standards apply equally to locals and foreigners. The reputation, quality and credibility of the market are paramount and the SC will not approve any proposal or product that is not in the interest of the investing public. For internationalisation to succeed, capital market professionals must step up to the challenge and meet global standards. They must also remember to put the long term interests of the market and professionalism ahead of profits. Companies must recognize that going to the public markets is only the beginning of a journey and not

the final destination. Post listing performance, obligations and conduct are critical and the company's directors and senior executives must be fully prepared for this transformational journey.

17. Not only must the Malaysian capital market be internationalized, but there needs to be internationalization of ASEAN as a single asset class. The success of ASEAN as a single asset class on the global stage will also translate to better and wider access for the capital markets of each member. As such, the ASEAN Capital Markets Forum or ACMF, comprising capital market regulators from the 10 ASEAN jurisdictions, has been working on the development and integration of ASEAN capital markets. The initiatives focus on facilitating greater cross-border offerings of capital market products and services in the region. Among some of the key efforts is the development of a set of harmonised disclosure standards to facilitate multi-jurisdictional offerings of equity and debt securities, including Sukuk Ijarah, to the general public. In addition, an ASEAN Collective Investment Scheme (CIS) framework is being developed for the cross-border offering of CIS within the region. These initiatives will further deepen our capital market, creating more opportunities for fund raising and widening the investor base.
  
18. However, integrating the ASEAN capital markets is certainly not easy. There are many challenges to be overcome, ranging from differing legal structures and regulatory philosophies to market practices and language. Clear protocols and understanding must be established to ensure that suitability requirements, disclosures, selling practices, enforcement and dispute resolution across all the member countries will not be arbitrated. Nevertheless, integration is inevitable and all participants must share the task of making it work.



## **Shared responsibility**

19. Ladies and gentlemen, the stability, strength and credibility of our capital market provides many opportunities for growth. While our market has certainly caught everyone's attention this year, there is no room for complacency. Instead, we should use this success as a springboard to propel the market to the next level. The SC will continue to work with market participants to safeguard the interests of the Malaysian capital market and ensure its continued success.
  
20. I hope that I have been able to share with you some insights on our efforts and thinking and hope that the participants of this summit will make full use of the opportunity to exchange and develop new ideas to strengthen our position as a competitive and vibrant financial hub in the region. On this note, I wish you a successful and productive summit.

Thank you.