



CAPITAL MARKET
DEVELOPMENT
IN MALAYSIA
HISTORY & PERSPECTIVES



Suruhanjaya Sekuriti
Securities Commission

Contents

Foreword by Dato' Seri Abdullah Ahmad Badawi	ix
Special Address by Tun Dr Mahathir Mohamad	xi
Introduction by Datuk Ali Abdul Kadir	xiii
Acknowledgements	xv

Part I: Early History of the Capital Market in Malaysia

Chapter 1: Capital Mobilisation in Malaysia: A Retrospective	
Pre-Independence Era	5
Early Institutions and Products (1957–1969)	7
Economic Planning and Development (1970–1979)	14
Capital Market Comes of Age (1980–1990)	18
Period of High Growth (1990–1993)	31

Part II: Building the Regulatory Infrastructure

Chapter 2: Establishment of the Securities Commission	
Securities Market Regulation in Malaysia Before 1993	41
Establishment of the Securities Commission	49
Regulatory Rationalisation	51
Developmental Priorities	52
Chapter 3: Early Regulatory Challenges and Modernisation of the Regulatory Framework	
Market Supervision and Enforcement: Early Years	55
Early Initiatives to Enhance the Capital-raising Environment	64
A Paradigm Shift: Disclosure-based Regulation	70
Facilitating Growth of the Investment Management Industry	76

Part III: Emergence of New Markets and Challenges

Chapter 4: Introduction of Financial Futures	
Building the Legal Framework	87
Establishment of the Financial Futures Exchanges and Clearing House	91
Growth of the Financial Futures Broking Industry	95

Chapter 5: Building the Foundation of the Islamic Capital Market	
Assembling the Fundamental Policy Apparatus	97
Early Developmental Initiatives	100
Chapter 6: Technology Boom and Emergence of High-growth Companies	
Rise of the Machines	103
Venture Capital Industry: Early Initiatives	104
Establishment of MESDAQ	105
Stepping Up the Momentum	110
Chapter 7: East Asian Crisis 1997–1998	
Progression of Events	114
Crisis Management	120
Recovery	129
Lessons Learnt	131
Part IV: A Vision for Long-term Development	
Chapter 8: Strategic Blueprint for Capital Market Development	
Need for a Comprehensive Blueprint	137
Meeting Domestic Challenges	137
Capital Market Masterplan: A Roadmap for the Future	140
Part V: Expanding the Frontiers of Development	
Chapter 9: Developing a Premier Capital Market	
Post-crisis Corporate Restructuring	151
Shift to a Market-based Issuance Process	155
Development of the Corporate Bond Market	162
Chapter 10: Enhancing Corporate Governance	
Need for Reform	169
A Holistic Approach	173
Improving the Quality of Financial Reporting	185
Perspectives on Corporate Governance Reforms in Malaysia	188
Chapter 11: Expanding the Scope of Enforcement	
Strengthening Enforcement Capabilities	193
Enforcement Efforts	198

Chapter 12: Enhancing Value to Issuers and Investors	
A Strategic Challenge	209
Transforming the Domestic Exchanges	210
Building Strong and Competitive Capital Market Intermediaries	223
A More Dynamic Investment Management Industry	236
Chapter 13: Islamic Capital Market: From Local to Global	
Growth in the Islamic Capital Market	243
From Local to International Focus	245
A Concerted Strategy	247
Powering Ahead	251
Part VI: Perspectives on the Future	
Chapter 14: Current Market Achievements and Challenges for the Future	
State of Play	257
Strategic Challenges	266
Perspectives on the Future	274
The Road Ahead	276
Acronyms and Abbreviations	279
Index	285