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Bills to enhance transparency in securities, futures industry

Francis C. Nantha

THE Government yesterday tabled five Amendment Bills in the Dewan Rakyat at the start of a special two-day sitting, to enhance transparency and tighten the regulations relating to the securities and the futures industry.

The Bills to amend the Securities Industry (Central Depositories) Act 1991, Securities Industry Act 1983 and Securities Commission Act 1993 were passed yesterday while that for the Futures Industry Act 1993 and Companies Act 1995 will be debated today.

Among the salient points was a one-month grace period for the registration of all shares into the Central Depository System, especially for shares previously traded on Singapore's Central Limit Order Book.

Thereafter, ownership of these unregistered shares passes on to the Ministry of Finance with another six-month appeal period. Thereon, the MoF can sell these shares and all claims have to be made under unclaimed money laws.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who is also First Finance Minister, said one main aim of the amendments was to ensure Malaysian shares were traded only on the Kuala Lumpur Stock Exchange and recognised exchanges.

At the second reading of the Central Depositories Amendment Bill, he said the other aims were to ensure all Malaysian shares were registered in the Central Depository System and to render illegal nominee accounts held for unnamed beneficiaries.

Dr Mahathir said the proposed amendments are necessary to reinforce administrative measures taken by the Kuala Lumpur Stock Exchange, the Securities Clearing Automated Network Services and the Malaysian Central Depository from Sept 1.

Dr Mahathir said the move was in keeping with the need to restore investor confidence in the market and as such administrative and legal measures would have to be taken immediately.

Specifically, the Central Depository Amendment Bill introduces two new definitions - "authorised nominee" and "beneficial owner", with these parties having to make declarations of their status.

Each beneficial owner has to have a separate CDS account, when the securities are held by an authorised nominee. Only beneficial owners and authorised nominees can make securities transactions, unless specifically exempted.

Breach of these requirements could lead to a maximum fine of RM3 million or 10 years jail or both. General penalties for offences is to be raised to RM1 million from RM500,000 currently.

Share registries which fail to follow these requirements shall be liable to a minimum fine of RM100,000. Other restraining orders to prevent further breaches and also the possible winding up of offending companies was also included.

Dr Mahathir said the previous nominee account rules allowed multiple beneficiaries to be registered under a single account and the KLSE was unable to ascertain who the buyers and sellers were, and if they included substantial shareholders - inclusive of those required to undertake mandatory general offers as their interest in a listed firm had reached 33 per cent.

To further effect these changes, related amendments were made to the

Securities Industries Act and Securities Commission Act - widening the authorities' powers to examine documents in the normal course of operations instead of being limited to such powers only during official investigations.

And any attempts to destroy, conceal, mutilate or alter records needed to comply with these amended Acts could draw a maximum RM10 million fine or 10 years jail or both.

The amendment to the Companies Act also states anyone buying a company's shares shall not be entitled to attend and vote at any general meeting unless his name appears on record at least three market days beforehand.

* See also P22

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