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PACKAGE-FIC
GOVT RELAXES RULES ON FOREIGN EQUITY OWNERSHIP

KUALA LUMPUR, May 21 (Bernama) -- The Government has revised the Foreign Investment Committee guidelines to provide greater flexibility in the participation of foreign equity in local companies to enhance the country's competitiveness in attracting foreign direct investment.

The revised rulings, which were part of the measures in the new economic package announced by the Prime Minister Datuk Seri Dr Mahathir Mohamad today, would also streamline investment application processes to avoid duplication of functions among approving agencies.

With this, the FIC guidellines on Acquisition of Assets, Mergers and Takeovers (1974) would be replaced with the FIC Guidelines on Acquisition of Property by Malaysian and Foreign Interests and also the FIC guidellines on Aquisition of Assets, Mergers and Takeovers by Malaysian and Foreign Interest.

For acquisitions by Malaysian and foreign interests, the only condition would be the minimum 30 percent Bumiputera equity.

For acquisitions by foreign party, the remaining equity of the said company could be held by the foreign party or jointly by both local and foreign interests.

The condition of a minimum 30 percent Bumiputera equity participation would be the standard application for all ministries except where an exemption has been made by the government.

Also, the threshold level for acquisitions by foreign and Malaysian interests exempted from FIC approval has been increased from RM5 million to RM10 million with the existing voting rights percentage for foreign interests and Malaysians maintained.

Meanwhile, the processing of proposals for the acquisition of licensed manufacturing companies would be centralised at the Ministry of International Trade and Industry while corporate proposals at the Securities Commission.

These proposals no longer need to be presented to the FIC for approval.

For companies seeking listing on the Kuala Lumpur Stock Exchange, they would have to have at least 30 percent Bumiputera equity ownership upon listing.

The equity compliance period meanwhile has been extended from one to two years for the first approval and can be extended yearly from then on.

For companies making huge and high risk investments, the period for the compliance with the equity ruling has been relaxed further and would be based according to the company's cash flow.

Companies registering losses or involved in debt restructuring would be exempted from the equity ruling during the period but the waiver would be reviewed after three years.

On the acquisition of landed properties, foreign parties would be allowed to acquire properties valued at more than RM150,000 per unit.

For aquisitions exceeding RM100 million, companies could apply for exemptions from FIC guidelines, subject to the approval from the Finance Minister and would be treated on a case to case basis.

This flexibility would apply only to applications received before May 31, 2004. -- BERNAMA

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