

**MEDIA RELEASE - MEASURES TO ENHANCE THE MALAYSIAN
CAPITAL MARKET BY YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
AT PUTRAJAYA
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The Malaysian capital market plays a vital role in facilitating the growth of the Malaysian economy. It provides an effective and efficient conduit for the raising and investment of capital. The uncertainties that have characterised the global and regional market environment over the last few months have also had an impact on our market. As part of our effort at ensuring that we proactively manage the effects of these global uncertainties on our economy and financial markets, the Government together with the regulators and the industry have reviewed and discussed ways to address these challenges.

Following these discussions, I am pleased to announce today 10 new measures to stimulate and further enhance the Malaysian capital market. These measures form part of the Government's overall effort aimed at ensuring the continued growth of the Malaysian economy and an efficient, resilient and competitive capital market

Enhancing Investor Participation

Reduction in Stamp Duty

Stamp duty for all securities trading on the Kuala Lumpur Stock Exchange (KLSE) will be capped at RM200 per contract with effect from 17 March 2003. Whilst this measure will result in a reduction in Government revenue by more than RM60 million a year, it will benefit investors by way of lowering transaction costs, and therefore will further enhance the attractiveness of trading on the KLSE.

Standardisation of Board Lots

All board lot sizes for securities traded on KLSE will be standardised at 100 units by June this year. Currently, only MESDAQ counters are traded in lots of 100 units. By April 2003, all securities listed on the Second Board will be standardised at lots of 100 units, and this will be followed by Main Board securities by June. All new IPOs to be listed from April will also be based on board lots of 100 units. The reduction in lot size is expected to make the purchase of stocks on the KLSE more affordable, and reduce the size of odd lot holdings.

Enhancing Liquidity

New Guidelines for the Listing of Large Companies New guidelines to facilitate the listing of large companies will be introduced on 1 April 2003. The guidelines will allow companies with a minimum market capitalisation of RM250 million and an after-tax profit of RM8 million for the latest financial year, to be exempted from the three to five years profit record requirement. The existing five year operating history requirement will remain. This measure should provide an additional avenue for large companies, including turnaround companies, to be listed on the KLSE.

Merger of Government-linked Companies

The Government will also facilitate the merger of Government-linked companies within common sectors with the objective of increasing the presence of large premier companies on the KLSE.

Reduction of Moratorium

The moratorium on promoters' shareholdings for all new IPOs/Reverse Takeovers (RTOs) will be reduced to one year to ensure greater availability of shares and increased liquidity in the market. At present the moratorium applies for a period of 4 years. This measure will be applicable for applications received from 12 March 2003.

Enhancing Efficiency of Capital Raising Process for Issuers

Reduction in IPO Processing Time

To further enhance the efficiency of the capital-raising process, the processing time for IPOs will be reduced to less than 3 months from 6-8 months currently. This will be for submissions received from 1 May 2003.

FIC Approvals to be Processed by SC

In a number of cases, corporate proposals forwarded to the Securities Commission (SC) for approval also require the approval of the Foreign Investment Committee (FIC). In such cases, for submissions received from 12 March 2003 onwards, the SC will process the FIC aspects of the proposals, based on FIC Guidelines, and if required, in consultation with the FIC. This mechanism only applies where both SC and FIC approval is required. In cases where the SC's approval is not required, applications will continue to be made directly to the FIC. Enhancing Value of Government-linked Companies

Introduction of performance incentive scheme

The Government is setting up a mechanism to enhance the performance of management staff of Government-linked companies and, in the process, unlock latent value in these companies. At the same time, this move is expected to attract quality personnel to join Government-linked companies. The proposed mechanism will work as follows:

- The performance of management staff will be measured yearly against pre-agreed and transparent key performance indicators (KPI);
- Management staff whose performance consistently meets or exceeds their respective KPIs will be rewarded with an attractive share option scheme; and,
- Management staff whose performance consistently falls below their respective KPIs will be subject to appropriate action, including termination of service.

The KPIs will be set in such a manner so as to combine earnings and risk management targets, i.e. it will capture both growth and prudence indicators, suitably weighted.

This measure is expected to bring greater vibrancy and increase significantly the shareholder value of Government-linked companies as well as assist in the creation of competent corporate managers.

The private sector is encouraged to set up a similar performance incentive scheme for their management staff.

Strengthening Intermediation

Enhancing Capital Markets Skills

The SC has initiated a new Capital Market Graduate Training Scheme. Under this annual scheme, participants will receive classroom training for one month and an 11-month attachment with participating organisations. This move should supply added skilled manpower to the Malaysian capital market. For 2003, a total of 500 graduates will take part in this scheme. In addition, the KLSE will contribute RM5 million to enhance the skills and knowledge of Bumiputera remisiers and paid dealers' representatives to strengthen their role in the capital market. This grant will be managed and administered by the SC.

Enhancing the Role of Intermediaries

Market intermediaries have a critical role to play in attracting the desired level of participation and enhancing the competitiveness of the market. Brokers and remisiers are expected to enhance their efforts in developing the market via increased promotional activities, investor education and innovative products. To assist the industry to play its role effectively during this current difficult period, a review of commission rates for brokers will be undertaken, with a view to establishing a minimum rate.

The need to set a minimum rate has arisen due to many factors, including the recent low levels of transactions in terms of volume and value. However, the major factor that highlights this need, is the unhealthy undercutting among stock broking companies that has at times, brought commission levels to below cost. Such a situation must not be allowed to persist because it will be negative for the growth and development of the Malaysian equity market.

The SC will work out with KLSE and the Association of Stockbroking Companies Malaysia (ASCM), within a month, a suitable framework for minimum rates that will have an effective policing mechanism to discourage unhealthy pricing practices.